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## Contents

WORLD INTELLECTUAL PROPERTY ORGANIZATION		
- Development Cooperation: Brazil .....	238	
INTERNATIONAL UNIONS		
- Budapest Treaty (Microorganisms). Acquisition of the Status of International Depository Authority: Culture Centre of Algae and Protozoa .....	239	
- Nairobi Treaty (Olympic Symbol)		
I. Accession: Equatorial Guinea .....	241	
II. Entry into Force .....	241	
PLANT VARIETIES		
- International Convention for the Protection of New Varieties of Plants (UPOV). Acceptance: Japan .....	241	
WIPO MEETINGS		
- Nice Union. Committee of Experts for the International Classification of Goods and Services for the Purposes of the Registration of Marks .....	242	
GENERAL STUDIES		
- Basic Innovations in the Yugoslav Law on the Protection of Inventions, Technical Improvements and Distinctive Signs (D. J. Bošković) .....	244	
- The Recent Development of Yugoslav Legislation on Distinctive Signs (V. Besarović) .....	251	
- The Nairobi Treaty on the Protection of the Olympic Symbol (G. Straschnov) .....	259	
NEWS FROM INDUSTRIAL PROPERTY OFFICES		
- European Patent Office .....	266	
NEWS ITEMS		
- China, Romania, United Kingdom .....	271	
CALENDAR OF MEETINGS .....		271
INDUSTRIAL PROPERTY LAWS AND TREATIES		
- <i>Editor's Note</i>		
- VIET NAM		
Ordinance on Innovations to Effect Technical Improvements and Rationalizations in Production, and on Inventions (promulgated by Government Decree No. 31 CP of January 23, 1981) .....	Text 2-001	
- YUGOSLAVIA		
Law on the Protection of Inventions, Technical Improvements and Distinctive Signs (of June 9, 1981) .....	Text 1-001	

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# World Intellectual Property Organization

## Development Cooperation: Brazil

### Introduction

In 1973, the Government of Brazil requested the assistance of WIPO in carrying out a project for the modernization of the Brazilian patent system, with external financing by the United Nations Development Programme (UNDP).

The Project was completed at the end of 1981. The UNDP contributed about US\$5,300,000, spent mainly on expert services and equipment.

The Brazilian Project was the first large-scale activity of development cooperation by WIPO "in the field." In addition to its contribution to Brazil's national development plan, it has played, and will enable Brazil to continue to play, an important role in the WIPO development cooperation program. Already, members of the newly qualified staff of the Brazilian Patent Office have shared their knowledge and experience with officials of other developing countries in training courses and seminars in Brazil and abroad; such technical cooperation among developing countries will undoubtedly increase.

The experience gained in the Project by the foreign experts who worked in it, and by the WIPO staff who, with the Brazilian authorities, planned, administered and supervised it, has been and will be of great value to other developing countries requesting cooperation from WIPO.

### The Project for the Modernization of the Brazilian Patent System

Under this title, a large-scale technical assistance project was carried out by WIPO with the objective of creating at the National Institute of Industrial Property (INPI), Brazil's Patent Office, a bank of technical information consisting of patent and non-patent literature, and of introducing modern patent searching and examining techniques, and of creating systems for the effective dissemination of technological information to industry, in terms of materially improving the capability of the staff needed (including training thereof).

This project was started in October 1973 and was scheduled to last five years. It was extended until the end of 1981, due in particular to the need for additional training of patent examiners.

The original objectives of the Project were reached at the end of 1981, since:

- besides having a technical staff of over 140 professionals capable of classifying, searching and examining patent applications according to standards of modern patent examining offices, INPI has also developed the capability for self-sustained training for its own staff; it has demonstrated this capability by delivering successfully 50% of the full training input of the 15 months' basic patent training which started in 1980 and finished early in 1981; thus INPI can now, on its own, carry out at any time further training courses for the additional staff it needs to cope with the increased number of requests for patent examination, which has tripled since the start of project implementation;
- INPI has a patent bank that includes over 14 million patent documents, of which over 4 million are in microform and over 4.4 million in paper classified according to the International Patent Classification, allowing for effective patent search; the patent bank is continually being built up with approximately 28,000 new patent documents per month, received on an international exchange basis; furthermore, INPI's documentation center includes a technical library containing some 700 technical journals; there is also a collection of technical books of which some 200 basic reference manuals and similar works were provided through the Project; INPI has established a regular service of information to industry, and the patent bank facilities are regularly used by circles outside INPI;
- in the organizational field, the Project assisted INPI in setting up a streamlined office procedure, assisted by electronic word-processing equipment, introducing modern patent support procedures; it is foreseen to introduce in the near future modern electronic data processing equipment to further improve the patent support activities.

In providing this assistance to INPI, WIPO recruited patent examination, documentation and organization specialists from the following countries: Australia, Austria, Belgium, Denmark, France, Germany (Federal Republic of), Israel, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States of America. All in all, there were more than 64 international experts who provided 700 work months of assistance.

In addition to training, the Project was instrumental in the acquisition of in-house printing equipment (INPI prints itself all 18-month publications of patent applications filed, as well as all patents after grant), word-processing equipment, microfilm collections of patent documents, sorting equipment for 8-up aperture cards, air dehumidification and air condition recording equipment for the correct storage of microfilm collections, office reproduction equipment, technical and legal books, and data supplied on magnetic tape by the International Patent Documentation Center (INPADOC) in Vienna under the CAPRI Project for the reclassification, according to the International Patent Classification (IPC), of patent documents published earlier than 1973. Patent document collections and technical periodicals were obtained by availing of offers of documentation received in the framework of the program of the Patent Cooperation Treaty (PCT) Committee for Technical Assistance, followed by agreements for the international exchange of patent documents between INPI and various other patent offices.

INPI has actively cooperated from the inception of the Project, and has kept steadfastly to the original objectives. Of particular relevance were the successful efforts gradually to enlarge and modernize the available premises, which culminated in the present integrated facilities at Praça Mauá 7, Rio de Janeiro, where the patent examination operations and the patent bank and related technological information operations occupy eight adjoining floors, covering an area of 6,400 m<sup>2</sup>.

Two seminars were held with Project assistance during the Project implementation period. The first, in early 1979, took place for two days in Rio de Janeiro and was broadly consecrated to the experience with and the advantages of the patent system as seen from national and international perspectives. Prominent foreign

speakers were the President of the German Patent Office and the Commissioner of Patents and Trademarks of the United States Patent and Trademark Office. The second seminar, at the end of 1981, was held in São Paulo and focused during three days on the setting up of patent departments in industrial enterprises. The Project secured the participation as lecturers of prominent executives having extensive patent experience from international industries in Europe, Japan and the United States of America, and of leading patent professionals. INPI did the same on the national level, and the result was a seminar of a very high professional standard, with national and foreign speakers alternating. Ultimately, the seminar revealed an identity of views in the sense that the patent system was an effective tool in the protection and fair exploitation of industrially applicable inventive technological solutions.

Internationally, INPI has become a most active developing country office, participating currently in work carried out in many fields related to industrial property, particularly those related to the IPC, patent information, and above all the Patent Cooperation Treaty (PCT), where INPI aims at becoming the first International Searching Authority in Latin America under the PCT. In the international context, INPI is gradually increasing its offer of assistance to other developing countries, in the framework of WIPO's Permanent Program for Development Cooperation Related to Industrial Property.

Overall, it can be said that the Project has successfully attained its original objectives, and that this was only possible due to the unfailing support of INPI and higher level government authorities, as well as of UNDP, and the excellent cooperation between the three partners—Government, UNDP and WIPO—all along the way.

## International Unions

### Budapest Treaty (Microorganisms)

#### Acquisition of the Status of International Depositary Authority

##### CULTURE CENTRE OF ALGAE AND PROTOZOA

The following written communication addressed to the Director General of WIPO by the Permanent Representative of the United Kingdom of Great Britain and Northern Ireland to the United Nations Office and other International Organizations at Geneva under Article 7 of the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure was received on July 26, 1982, and is published by the International Bureau of WIPO pursuant to Article 7(2)(a) of the said Treaty:

"I have the honour to refer to the Budapest Treaty

on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, opened for signature at Budapest from the 28th of April to the 31st of December 1977. In accordance with the provisions of Article 7 of the said Treaty, the Government of the United Kingdom of Great Britain and Northern Ireland nominate the Culture Centre of Algae and Protozoa as an International Depositary Authority. The Government of the United Kingdom furnish their assurances that the Culture Centre of Algae and Protozoa complies and will continue to comply with the requirements specified in Article 6(2) of the Treaty for an International Depositary Authority. The requisite information concerning this nominated Depositary Institution is set out below.

"Accordingly, I have the further honour to request that you carry out the procedures established by the

Treaty and Regulations annexed to it, in connection with the acquisition of the status of International Depository Authority by the Institution nominated herein.

"The Culture Centre of Algae and Protozoa is located in the United Kingdom at 36 Storey's Way, Cambridge, CB3 0DT, England.

"The Centre is a part of the Institute of Terrestrial Ecology, whose legal and parent body is the Natural Environment Research Council, a body established in the United Kingdom by Royal Charter.

"The Centre has been in continuous existence since 1970 as a constituent body of the Natural Environment Research Council; before that, it formed a part of the University of Cambridge School of Botany and in 1975 it was incorporated in the Institute of Terrestrial Ecology. The Centre has a staff of about 20, of whom approximately half hold relevant university degrees. This staff is fully competent and adequate to perform the scientific and administrative tasks required under the Budapest Treaty. The Centre is affiliated to the World Federation for Culture Collections and has an undisputed reputation for work concerned with the preservation, testing, authentication and distribution of non-pathogenic algae (other than large seaweeds), free living protozoa, and certain parasitic protozoa. At present the collection contains over 2,000 strains of such microorganisms and approximately 100 new strains are added each year. The Centre performs its work in an impartial and objective way, and will be available for the purposes of deposit under the Treaty to any depositor under the same conditions.

"The facilities of the Centre include temperature controlled culture rooms, light and electron microscopy, liquid nitrogen storage and full provision for the aseptic handling of cultures. Standby electrical generating equipment is provided to maintain temperature and illumination of the culture rooms in case of failure of the public supply. There is adequate provision for pressurised steam and dry heat sterilisation of media and equipment. The highest scientific and administrative standards are applied to the cultures deposited in the collection, and full safety measures are in operation to minimise the risk of loss of any deposited cultures. Records of all deposited material will be kept on standard forms and also as computer processed data. Duplicate computer records will be deposited at the Headquarters of the Institute of Terrestrial Ecology to minimise the risk of accidental loss or destruction. Cultures which can be cryopreserved are so stored in at least duplicate lots, with periodic viability checks when deemed necessary. No culture is stored in this way until it is known that it can be viably retrieved. Material deposited under the Budapest Treaty, which cannot be successfully cryopreserved, will be maintained by serial passage as at least duplicate cultures in appropriate media, and would

be subject to all the Centre's usual care to avoid contamination or loss. Such cultures would be distinctively labelled so that, in any emergency, priority could be given to their preservation. A resident caretaker is responsible for the general security of the premises.

"The Centre is equipped and run in full accordance with the United Kingdom Health and Safety at Work Act, 1974. Particular care is taken with any cultures which are facultatively pathogenic, although I stress that nearly all the cultures maintained at the centre are non-pathogenic to man, and non-toxic, and only such cultures will be accepted for deposit under the Treaty.

"The Centre intends to accept for deposit under the Budapest Treaty, only certain types of microorganisms, namely:

- a. algae, other than large seaweeds;
- b. free living protozoa; and
- c. parasitic protozoa not pathogenic to man or domestic animals, which can be maintained by *in vitro* culture.

"In accordance with the regulations for implementing the Budapest Treaty, the Centre will:

- a. examine the viability of such kinds of organisms, and store them;
- b. issue receipt and viability statements as prescribed;
- c. comply with the prescribed secrecy requirements; and
- d. furnish samples under the conditions and in conformity with the prescribed procedures.

"The following fees, plus value added tax where applicable, will be payable to the Centre:

For storage of each microorganism in accordance with the Treaty	£275
For issue of a Viability Statement in those cases in which, in accordance with Rule 10.2, a fee may be charged.	£50
For furnishing of a sample in accordance with Rule 11.2 or 11.3	£10 plus the actual cost of carriage
For delivering an attestation in accordance with Rule 8.2	£10

"The Centre will conduct business in English as regards deposits and all associated matters under the Treaty."

[End of text of Communication]

Pursuant to Article 7(2)(b) of the Budapest Treaty, the Culture Centre of Algae and Protozoa acquires the status of international depository authority as from September 30, 1982 (date of the present publication).

Budapest Communication No. 12 (this Communication is the subject of Budapest Notification No. 28, of August 11, 1982).

## Nairobi Treaty (Olympic Symbol)

### I. Accession

#### EQUATORIAL GUINEA

The Government of Equatorial Guinea deposited, on August 25, 1982, its instrument of accession to the Nairobi Treaty on the Protection of the Olympic Symbol, adopted at Nairobi on September 26, 1981.

The date of entry into force of the said Nairobi Treaty is the subject of a separate notification (Nairobi Notification No. 6, below).

Nairobi Notification No. 5, of August 30, 1982.

### II. Entry into Force

The Nairobi Treaty on the Protection of the Olympic Symbol, adopted at Nairobi on September 26, 1981, will enter into force on

**September 25, 1982,**

that is, one month after the day on which the third instrument of ratification, acceptance, approval or accession has been deposited.

In this connection, it is recalled that an instrument of ratification of the Nairobi Treaty was deposited:

— on November 18, 1981, by Kenya,

and that instruments of accession to the said Treaty were deposited:

— on February 17, 1982, by Socialist Ethiopia,

— on August 25, 1982, by Equatorial Guinea.

Consequently, in accordance with the provisions of Article 6(1) of the Nairobi Treaty, the said Treaty will enter into force on September 25, 1982, with respect to the three States referred to above.

Nairobi Notification No. 6, of August 30, 1982.

## Plant Varieties

### International Convention for the Protection of New Varieties of Plants

#### Acceptance

#### JAPAN

The Government of Japan deposited, on August 3, 1982, its instrument of acceptance of the International Convention for the Protection of New Varieties of Plants of December 2, 1961 (UPOV), as revised at Geneva on November 10, 1972, and on October 23, 1978.

At the time of depositing its instrument of acceptance, the Government of Japan notified its intention to exercise its rights under Article 3(3) of the International Convention.

The number of contribution units applicable to Japan for the purpose of determining its share in the total amount of contributions to the budget of UPOV is five (5).

The said International Convention will enter into force, with respect to Japan, on September 3, 1982.

UPOV Notification No. 25, of August 3, 1982.

## WIPO Meetings

### Nice Union

#### Committee of Experts for the International Classification of Goods and Services for the Purposes of the Registration of Marks

Fourteenth Session  
(Geneva, May 24 to 28, 1982)

#### NOTE\*

The Committee of Experts set up under Article 3 of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks met in Geneva from May 24 to 28, 1982.<sup>1</sup>

The following countries members of the Nice Union were represented: Belgium, Denmark, Finland, France, Germany (Federal Republic of), Italy, Netherlands, Norway, Soviet Union, Spain, Sweden, Switzerland, United Kingdom, United States of America (14). Brazil, Egypt, Ghana, Greece, Jordan, the Republic of Korea and Zimbabwe were represented by observers (7). The list of participants follows this Note.

The history of this session goes back to the early 1970s, when several States, including Algeria, Finland, Hungary, Israel, Switzerland and the United States of America, all members of the Nice Union, expressed the opinion that the Nice Classification should undergo a revision as to substance in order to adapt it to current economic, technical and commercial developments, and that the provisions of the Agreement relating to the adoption of such changes should be revised, in order that the Committee of Experts might more easily adopt proposals for such changes.

Those proposals for the revision of the Agreement and of the Classification were carried out in the following manner.

The recommendations took the form of a series of documents submitted to the member States of the Nice Union for discussion and eventual adoption by the Committee of Experts, which was convened from May 24 to 28, 1982, thus respecting the recommenda-

tion adopted by the Diplomatic Conference in 1977 concerning a five-year moratorium on the frequency of its meetings.

At its fourteenth session, the Committee of Experts adopted, unanimously as far as amendments and additions were concerned, the great majority of the proposals and recommendations submitted to it in the working documents.

Since not all the countries members of the Nice Union have yet ratified or acceded to the Geneva Act of the Nice Agreement, it is necessary that none of them vote (by mail) against the changes decided. There are no indications that any of the countries would intend to vote against the said changes which, then, will enter into force on June 1, 1983. A new fourth edition of the Classification will thereafter be promptly published.

Thus the fourteenth session of the Committee of Experts, together with its thirteenth session in 1981—when the results of a revision as to formal aspects were adopted—proved to be of great importance to the existence of the Nice Classification; it completed a major operation, namely, its general revision as to substance.

At its eleventh (ordinary) session, held in Geneva in June 1974, the Committee of Experts decided to establish, on a permanent basis, a special working group, called the "Preparatory Working Group," in order to prepare the Committee's decisions concerning proposals for amendments and additions within the meaning of the Nice Agreement, as well as new headings for certain classes affected by proposals for amendments, and to elaborate the proposals for a new wording of the Explanatory Notes which accompany the List of Classes.

In September 1975, the Assembly of the Nice Union met in Geneva, in an extraordinary session, to discuss proposals for a revision of the Nice Agreement, especially of those provisions that contained the rules for the adoption of proposals for amendments and additions.

The Assembly authorized the Director General of WIPO to convene, after the necessary preparations, a revision conference.

The revision conference was held in Geneva in May 1977. It adopted, on May 12, 1977, a new text of the Nice Agreement, the so-called "Geneva Act." The most important change, as far as the adoption of amendments in and additions to the Classification is concerned, was the change in Article 3, which now, under the Geneva Act, provides that "decisions concerning the adoption of amendments to the Classification shall require a majority of four-fifths of the countries of the Special

\* Prepared by the International Bureau.

<sup>1</sup> For a Note on the thirteenth session, see *Industrial Property*, 1981, p. 66.

Union represented and voting," instead of the old unanimity rule, and also the provision for pre or post-conference voting by mail. When adopting Articles 3(7)(c) and 9(4)(a), and with reference to the periods referred to in Article 3(7)(c), the Diplomatic Conference understood that the first such period would not end earlier than five years from the date on which the Geneva Act was opened for signature (May 13, 1977).

In the meantime, the Preparatory Working Group started its work and met in June 1977, October 1978, June 1979, March 1980 and October 1981.

In accordance with its mandate, and on the basis of proposals drawn up by the International Bureau, it made recommendations for amendments and additions to the List of Goods and Services, for improvements in the wording of the List of Classes and for a new text of the Explanatory Notes.

## LIST OF PARTICIPANTS\*

### I. Member States

**Belgium:** C. Tas. **Denmark:** I. Sander; J.E. Carstad. **Finland:** K.-E. Jungfelt. **France:** R. Leblanc; C. Bartoli. **Germany (Federal Republic of):** G. Jehle. **Italy:** S. Samperi. **Netherlands:** S. de Hoop. **Norway:** A. Kaarhus; A. Guldhav. **Soviet Union:** S. Gorlenko; E. Rezounenko. **Spain:** J. Alvarez Martinez de Larrad; M.J. Sedano Alvarez. **Sweden:** G. Deijenberg; I. Hoff. **Switzerland:** J. Weber. **United Kingdom:** D.G.A. Myall. **United States of America:** R.G. Bowie.

\* A list containing the titles and functions of the participants may be obtained from the International Bureau.

## II. Intergovernmental Organizations

**Benelx Trademark Office:** S. de Hoop.

## III. Observer States

**Brazil:** H. Arita. **Congo:** S. Bayalama. **Egypt:** M. Daghash. **Gabon:** P.M. Dong. **Ghana:** A.J. McCarthy. **Greece:** P. Geroulakos. **Jordan:** K. Abdulrahim. **Republic of Korea:** S.-H. Kim. **Zimbabwe:** R.P. Moul.

## IV. Observer Organizations

**Council of European Industrial Federations (CEIF):** G. Peters. **International Association for the Protection of Industrial Property (IAPIP):** G.E. Kirker. **International Chamber of Commerce (ICC):** J.M.W. Buraas. **International Federation of Industrial Property Attorneys (FICPI):** Y.J.-J. Plasseraud. **Union of Industries of the European Community (UNICE):** W. Mak.

## V. Officers

**Chairman:** R. Leblanc (France). **Acting Chairman:** D.G.A. Myall (United Kingdom). **Vice-Chairmen:** C. Tas (Belgium); J. Weber (Switzerland). **Secretary:** C. Werkman (WIPO).

## VI. International Bureau of WIPO

L.E. Kostikov (*Deputy Director General*); P. Claus (*Director, Classifications and Patent Information Division*); C. Werkman (*Head, Trademark and Industrial Designs Classifications Section, Classifications and Patent Information Division*); C. Leder (*Classification Officer, Trademark and Industrial Designs Classifications Section*); M. Kaufmann (*Principal Examiner, Trademark and Appellations of Origin Registration Section, Trademark and Industrial Designs Registration Division*).

## Basic Innovations in the Yugoslav Law on the Protection of Inventions, Technical Improvements and Distinctive Signs

D. BOŠKOVIĆ\*

### I. Legal and Economic Foundations of the New Law

On June 9, 1981, the Assembly of the Socialist Federal Republic of Yugoslavia passed the Law on the Protection of Inventions, Technical Improvements and Distinctive Signs ("Official Gazette of the SFRY," No. 34/81).<sup>1</sup> The Law entered into force on June 27, 1981, and has been applicable since December 28, 1981, upon the expiration of laws which until then regulated the protection of inventions, technical improvements and trademarks, as follows: the Law on Patents and Technical Improvements; the Law on Designs and Models; the Law on Trademarks and Service Marks.

The new Law was passed primarily for the purpose of co-ordinating the system of protection of inventions, technical improvements and distinctive signs (the system of industrial property) with the principles and provisions of the New Constitution of the Socialist Federal Republic of Yugoslavia, passed in 1974, and the Associated Labor Act, passed in 1976, which completely define the economic and socio-political status of associated labor in the Yugoslav Socialist Self-Management System.

Apart from that, this Law has also been adopted for the purpose of coordinating legal solutions with the accomplished level of technological and economic development of the country. Namely, according to World Bank data, Yugoslavia had accomplished a relatively speedy development, so that at the end of 1980, its per capita income had reached \$2,620. For that reason, at the end of the last decade an analysis was made of many laws in the field of economic regulations for the purpose of estimating whether they were in accordance with the attained level of development and whether they stimulated further technological, economic and social development in the country. In the scope of those analyses, a critical analysis was made of the former laws on the

protection of industrial property. Particular attention was devoted to the analysis of the Law on Patents, passed in 1960, with the purpose of obtaining a response to two basic questions:

- whether all provisions of the Law on Patents were in accordance with the system of socio-economic relations in associated labor; and
- whether the national system on patents, established on the basis of the Law on Patents, had contributed and if so, to what extent, to the technological development of the country, especially to the development of indigenous technology.

That analysis was based on the comprehension that the national patent system is one of the numerous factors influencing the establishment of socio-economic relations as well as the timing and trends of technological development of the country.

This article will present only the most significant conclusions of the analysis, as well as legal innovations relating to patents and designs, while the article by V. Besarović, which also appears in this issue, will present the most significant innovations relating to distinctive signs.

The analysis showed the following:

1. The former Law on Patents and Technical Improvements provided for the grant of exclusive rights of manufacture and economic transactions to those who had protected the invention by patent, disregarding the fact whether that invention had been created through personal labor and by personal assets or in an organization of associated labor by means of socially-owned assets. For that reason, the former patent system was not in accordance with the Yugoslav Constitution and the Associated Labor Act, which draw a clear distinction between private and social property. Namely, the invention accomplished through personal labor and by personal assets represents private property and it is understandable and justified that the owner of that patented invention has a right to forbid its exploitation by other persons in manufacture and, under certain conditions, its exploitation in the market. However, an invention created in organizations of associated labor by means of socially-owned assets does not represent the private property of the organization of associated labor, but social property, so that the said organization of associated labor is obliged to use that invention as a social means of reproduction, on the basis of the principle of free pooling of labor and resources.

2. There was stagnation in patent protection for indigenous inventions during the entire two decades since

\* Director, Federal Patent Office of the S.F.R. of Yugoslavia.

<sup>1</sup> For the text of the Law, see this month's *Industrial Property Laws and Treaties*, YUGOSLAVIA—Text 1-001.

the passage of the aforementioned Law. That stagnation is in complete disproportion with the achieved technological, economic and social development of the country. The best proof for that condition is the fact that in the period from 1971 to 1980, our organizations of associated labor and individuals filed about 1,000 patent applications and, on the average, approximately 100 patents were granted to them. Moreover, the percentage structure of the local patent holders was unfavorable, as 80% of the patentees are individuals and only around 20% organizations of associated labor. These data show that, beside the other factors, the national patent system did not sufficiently promote local technological creativity. In the aforementioned period, the organizations of associated labor relied greatly on the importation of foreign technology and thus the circle was closed: the Yugoslav organizations of associated labor imported technology, as the Yugoslav technological capacities, although already relatively developed, did not create it, for the Yugoslav organizations of associated labor mutually compete for means of foreign technology and are not stimulated economically to develop their own technology. In this way the cyclic import of technology becomes more and more consolidated and thus proceeds to frustrate the development of indigenous technology or, in other words, the development of indigenous research and development. In the initial phase of industrialization, when Yugoslavia's own research and development capacities were very modest, these phenomena did not present a major obstacle to further development. However, at the present development level, these phenomena represent a major limitation and obstacle for the further technological and economic development of the Yugoslav economy.

3. In the past period, the Yugoslav economy had greatly developed, owing to, among other things, the transfer of technology from developed countries. However, in most cases, that technology was not patented, which in the initial phase of industrialization did not represent a major obstacle for further technological development, bearing in mind that such technology provided upgrading of the technological level of the Yugoslav economy. The aforementioned shows that in the said period, transfer of foreign technology was carried out without real impact on the national patent system. However, every further step in upgrading the technological level of the Yugoslav economy indicated more and more a need to make the national patent system a real and effective factor of transfer of contemporary patented foreign technology. A more profound analysis of this question showed that the former Law on Patents did not sufficiently motivate owners of contemporary technology to transfer it to the Yugoslav economy. That may particularly be illustrated by the fact that, of the total number of foreign patent applications filed for protection in Yugoslavia, only 1.5 per thousand are used in Yugoslav manufacture.

4. The Yugoslav economy reached the development phase after which further development could be accomplished only through the import of modern technology. Among the many reasons for a new orientation on the upgrading of the technological level of the Yugoslav economy, of special strategic significance is the orientation of the Yugoslav economy towards the expansion of exports on the convertible market. In order to achieve that goal, a considerably more advanced and productive technology should be used, instead of the present technology, and most frequently that technology is protected by patent. Consequently, an imperative requirement imposed on the Yugoslav economy is to import only advanced technology and, in fields where it is possible, to develop with its own forces technology at advanced world levels. That requirement is for Yugoslavia the basic prerequisite for establishing a more favorable balance between trade on a convertible market and trade on a clearing market, which is one of the key strategic objectives of development. It thus became necessary to take all measures which would contribute to the achievement of that objective; among those measures is the creation of a national patent system that can become an effective factor in the transfer of advanced patented technology to the Yugoslav economy.

5. In the past period the Yugoslav organizations of associated labor imported simultaneously a relatively large number of different technologies for manufacturing the same types of products.

As a rule, each of the organizations of associated labor constructed capacities for the needs of the whole Yugoslav market, so that the total Yugoslav capacity for production of given products was larger than the needs of that market. Due to already mentioned facts, as well as to many restrictive clauses in transfer of technology contracts, those organizations of associated labor were faced with serious difficulties in exporting their products, particularly on the convertible market, and thus were obliged to place the majority of their products only on the Yugoslav market. In the competitive struggle that developed under those conditions, the local interests of municipalities, regions and even broader interests brought about tendencies toward the regional closing of markets. Extensive measures were taken in the country to stop those tendencies due to their potential to cause a reduction in the coefficient of exploitation of all constructed capacities, a decrease in productivity and profitability, and thus a reduction in the possibilities for export, especially on the convertible market. Within the scope of the more extensive measures undertaken for that purpose, therefore, it was necessary to find legal solutions that would provide a real economic interest for Yugoslav organizations of associated labor when several of them (of course not all) would jointly import the same technology and would jointly apply it on the basis of self-management agreements. In the achievement of that objective, it was determined that a signif-

icant contribution should be made by the Yugoslav national patent system.

6. In the course of the work on the Law, an extensive discussion was carried out in all republics and provinces as well as in many competent representative and expert bodies in the country. On the basis of remarks and suggestions presented during the public discussions and in view of the disadvantages presented by the prior systems of protection of inventions, technical improvements and distinctive signs, a new system of protection was designed to enable a speedier development of technology in the Yugoslav economy through rapid development of its own technology and through a more rapid and easier transfer of technology from foreign countries.

## II. Basic Objectives of the Law and the Most Significant New Solutions

The basic objectives of the Law are:

- promotion of creativeness to develop modern indigenous technology, increase the productivity of social labor, improve the quality of products, processes and services and enlarge the material basis of associated labor;
- creation of conditions for the extension of technological cooperation on an equal basis with other countries and participation in the international distribution of labor in the field of technological creativeness;
- promotion of the working of inventions in manufacture;
- protection of the interests of consumers and organizations of associated labor on the unified Yugoslav market;
- protection and upgrading of the human environment.

For the achievement of these objectives numerous new solutions were foreseen in the new Law, especially in regulating relations concerning the working of inventions in associated labor. Those solutions, in their essence, represent an adaptation of the patent, as a form of legal protection for inventions, to the Yugoslav socio-economic system.

The most significant new legal solutions are:

(1) Section 5 provides that the inventions and distinctive signs in self-managing associated labor should be applied, as a rule, through the free pooling of labor and socially-owned means (the principle of free association of labor and resources includes the right of two or more organizations of associated labor to determine, freely and independantly, whether and in which way they will associate labor and resources). Essentially, this solution represents the basis on which the adaptation of the system of protection of industrial property to the system of Socialist self-managing relations was carried out. On that basis, detailed solutions were first elaborated in the Law concerning the protection of inven-

tions, and then it was determined that those solutions should correspondingly be applied to designs as well. The essence of those solutions is that, in accordance with the principles of the Yugoslav socio-economic system, a distinction has been created regarding the protection of inventions created through personal labor and personal resources, on the one hand, and the protection of inventions created in organizations of associated labor on the other.

(2) In Section 4, it is determined that organizations of associated labor have both the right and the duty to make use of inventions and distinctive signs as means of social reproduction. This provision establishes the legal and proprietary character of inventions and distinctive signs created and used in an organization of associated labor. It is specified that those means are of social reproduction and thus are, in the Yugoslav socio-economic system, socially-owned resources. Furthermore, it is determined that those means must be used in accordance with the socially and economically most convenient nature and purpose thereof. This provision is in close correlation with the general interest of society to use new technological knowledge as extensively as possible in associated labor. Since an invention, by its nature, represents new technological knowledge, the provision thus implicitly reflects the social interest to use inventions in associated labor as extensively as possible, provided that such use is of socio-economic interest and that it is accomplished in a way provided for in the Law, a self-management agreement or in some other self-management general act.

(3) In Section 20, a definition of the invention is given as follows:

"A patent shall protect an invention which represents a new solution to a specific technical problem, which is a result of creative work, which is industrially and technically feasible and which may be applied in industrial production or some other economic or non-economic activity.

"Rules and principles, scientific discoveries and computer programs shall not be deemed to be inventions."

With respect to the former definition of an invention a new requirement was introduced: the result of creative work (inventive step). The other requirements—novelty and industrial applicability—are in fact the same as in the definition of an invention according to the former Law.

(4) Section 23 determines the inventions that cannot be protected by a patent according to the new Law. Those are:

"(1) inventions the publishing or exploitation of which is contrary to the law or morality of the Socialist self-management society;

"(2) chemical products, except chemical processes for their manufacture;

"(3) alloys, except the processes for their manufacture;

"(4) pharmaceutical and food products for humans and animals, fertilizers, pesticides, herbicides and fungicides, except chemical processes for their manufacture;

"(5) inventions related to production and use of nuclear fuel;

"(6) devices and means of protection from contamination and processes for their manufacture;

"(7) plant and animal species, biological processes for the obtaining thereof and microorganisms, except for processes for obtaining microorganisms and processes for the preparation of products obtained with the use of microorganisms;

"(8) compositions of two or more substances."

A number of solutions contained in this Section, represent a closer and more precise elaboration of solutions that already traditionally existed in the Yugoslav patent system.

Among the preexisting solutions, reference should first be made to chemical products and chemical processes for obtaining them. All former Yugoslav patent laws, both before and after World War II, provided that inventions representing chemical products could not be protected by a patent.

Thus, the former Law on patents and technical improvements also provided that a patent could not protect medicaments, substances produced chemically, and substances used as human and animal food products, drugs, beverages and spices. However, that Law provided that new processes for obtaining those products could be protected by patent. That solution has been completely accepted in the new Law as well and is used as the basis on which other solutions provided for in this Section have been defined. Such an approach to the question of patentability of inventions has been adopted on the basis of an analysis of the state of creativeness in the country. That analysis confirmed that, in the said technological fields, there had not yet been reached a level of development of domestic technological capacities which would have made it possible to abandon the former legal solutions, but at the same time it was not wise to limit, and perhaps even to block, the development of inventiveness already under way. Moreover, the analysis showed that, for the purpose of providing even more favorable conditions for the improvement of local inventiveness, those solutions would have to be extended and more clearly formulated, which has been done in Section 23. In that Section, special efforts were made to seek solutions which would also simultaneously improve the transfer of modern technology to the Yugoslav economy. After extensive studies and discussions, it was evaluated that the proposed solutions represented a compromise which should enable the achievement of both objectives.

(5) Section 44 lists the rights granted to the holder of a patent or design. He is entitled to:

"(1) exploit and to prevent others from exploiting in manufacture the protected invention, shape, picture or design;

"(2) market products manufactured according to the protected invention, shape, picture or design;

"(3) make use of the patent or design;

"(4) compensation from those who exploit in manufacture his protected invention, shape, picture or drawing, and/or the right to share in the income and other rights established by the general self-management act."

This Section establishes that the holder of the patent or design has an exclusive right to use them in manufacture. The right to market appropriate products may

be exclusive after fulfilling the requirements of Section 45, which reads as follows:

"If an invention protected by a patent is worked in manufacture in the Socialist Federal Republic of Yugoslavia, only the patentee, his legal heir and the person authorized to work the invention in the process of manufacture shall acquire the right to market the product manufactured on the basis of the protected invention."

This Section expresses a particular interest of the Yugoslav economy in exploiting patented inventions in national manufacture as soon as possible and to the greatest possible extent. The new Law, in order to motivate the owner of the patent, prescribes that he, or his legal heir or authorized user of the patent, is granted, in addition to the rights referred to in Section 44, an exclusive right to market the products manufactured according to the patented invention if that invention is used in manufacture in Yugoslavia. The owner of the patent is accordingly granted, apart from the exclusive right to market the patent on the Yugoslav market, the exclusive right to import as well. This solution replaces the solution of the former Law according to which the owner of the patent had the exclusive right to market the patent irrespective of the fact whether his patented invention had been worked in manufacture in the country. As the analysis mentioned at the beginning of this article showed that only 1.5 per thousand of the total number of patents applied for by foreign applicants were used in Yugoslav manufacture, it was obvious that, if the same legal solution were maintained, an increased transfer of modern patented technology to the Yugoslav economy could not be expected. For that reason, the new solution was adopted and it is believed that it will motivate the owners of modern technology to apply it in Yugoslav manufacture.

(6) Section 47 indicates what was meant by working of an invention in manufacture in Yugoslavia. That Section states:

"Working of the protected invention in the process of manufacture in the Socialist Federal Republic of Yugoslavia, as referred to in the provisions of Sections 45 and 46 of this Law, means exploitation in the process of manufacture of the given technical solution contained in the protected invention or in the protected shape of the product, picture, or drawing, that will meet, in greater part, the demand in the Yugoslav market."

The basic meaning of this Section is to ensure the actual commercial working of the invention in Yugoslav manufacture, so that the major demand of the Yugoslav market for products manufactured by working that invention is satisfied; that demand is satisfied, as a rule, in cases when domestic production of those products is larger than importation of the same products.

(7) An innovation that had caused much discussion at the time of preparing the new Law is the provision concerning the term of a patent or design, as contained in Section 51. That Section states:

"The term of a patent shall be seven years from the date of publication of the application.

"The term of a design shall be five years from the application date.

"If during the term of a patent or design a protected invention, shape, picture or drawing is seriously and effectively exploited in manufacture in the Socialist Federal Republic of Yugoslavia so that such production meets, in greater part, the demands of the Yugoslav market, the term of the patent shall be extended on the request of the patentee for another period of seven years, and the term of the design for another period of five years.

"If a patent of addition has become a basic patent, it may not last longer than the original basic patent would have lasted. A patent of addition shall expire when the basic patent expires.

"The decision on extension of the term of a patent or design shall be taken by the Patent Office on request of the holder and upon obtaining an opinion from the Yugoslav Chamber of the Economy."

Pursuant to this Section, the holder of a patent or design whose patent or design is exploited in manufacture in Yugoslavia is granted an additional right besides the rights referred to in Sections 44 and 45.

During the period of preparation and passage of the Law, the remark was made concerning this Section, that a patent term of seven years was short and that an invention, especially one in the field of pharmacology, could not be worked in manufacture during that period. After thorough investigation and detailed consideration, however, the provision was nevertheless adopted for several reasons. First of all, the term of a patent is counted from the date of publication of the application, and as the publication takes place upon the expiration of 18 months from the application date, and/or the date of priority claimed (Section 93 of the Law), an applicant therefore has at least 8.5 years, instead of seven years, from the moment of creating the invention to the moment of its working in manufacture. In addition, the said period will be much longer for a relatively large number of applications that were filed before passage of the new Law, taking into account the time since those applications were filed. Finally, applications filed after passage of the new Law cannot be published immediately after 18 months, but will be published, at least in the first few years, and that will enable the applicant to have available in any case more than 8.5 years to organize the working of an invention in manufacture. Furthermore, where inventions in the field of pharmacology are concerned, the assertion has been taken into account that, on the average, approximately ten years should pass from the moment of the creation of an invention of some active pharmaceutical compound to the moment of its commercialization. Such an assertion is valid against a shorter patent term in the case when the Law provides for the protection of chemical substances; however, in the case when the Law provides only for the protection of chemical processes for obtaining those substances, as does the new Law, a shorter period of duration is quite sufficient as the inventor of an active pharmaceutical compound may successively (in an unlimited period of time) submit applications for alternative chemical processes and prolong the real time of protection manifoldly. Furthermore, for an active pharmaceutical compound which had already once been commercialized in some country and for which an alternative process had been found in the meantime,

much less than seven years is necessary for the working of the process in another country.

As for the expression "serious and real exploitation in manufacture in the Socialist Federal Republic of Yugoslavia," one has to bear in mind that for this expression the same explanation, as that with respect to the Section 47 of the Law, is valid.

(8) The Chapter "Self-Managing Regulation of the Rights to Use Inventions Created in Associated Labor" represents on the whole a collection of new solutions permitting the classical patent system to be adapted to the system of self-management Socialist relations and/or permitting organizations of associated labor to establish relations among themselves in terms of the working of inventions created in such organizations. Those solutions are provided for in Sections 59 to 70 of the Law. Sections 59, 60 and 61 regulate the right to work inventions in organizations of associated labor which have been associated into more composite forms of association through various forms, while Section 62 regulates those rights between organizations of associated labor when one of them finances and the other performs research work. All these measures have, in fact, been taken on the basis of the general solution, provided in Section 63, which states:

"Each organization of associated labor shall have the right to exploit in the course of its own manufacture an invention, protected by a patent in the name of another organization of associated labor or of another social legal entity, provided that it concludes a self-management agreement on the pooling of funds and labor with the patentee in which the terms for the exploitation of the protected invention and the sharing of the joint income created by the exploitation of the invention shall be stipulated.

"The patentee's share in the joint income, realized by the exploitation of an invention protected by a patent, shall encompass a return of a part of the overall means invested in the creation of the invention, and compensation for its exploitation, in proportion to the results obtained.

"The overall means referred to in paragraph 2 of this Section shall also include the total means invested in the research which directly or indirectly contributed to the creation of the invention.

"The signatories to a self-management agreement being concluded in connection with the use of an invention protected by a patent in the name of an organization of associated labor or another social legal entity may provide for a specific procedure for the settlement of disputes, including arbitration, which shall be applied prior to bringing the case to the Court of Associated Labor."

With reference to this Section, it should first be pointed out that inventions created in associated labor are protected by a patent whose holder is the organization of associated labor in which the invention was created. That organization is entitled to all the rights referred to in Sections 44 and 45 of the Law, except the right to prevent others from working the patented invention in manufacture. The solution, provided in Section 63, as well as the other solutions provided in Sections 59 to 70, essentially represent an adaptation of the patent system based on the principles of private property to the Socialist self-management system based on social property. The basis on which that adaptation had to be made stems from the Yugoslav Constitution, Basic Principles, Chapter II, which states:

"Any form of management of production and of other social activities..., be it through bureaucratic arbitrariness, technocratic usurpation or privileges based on the monopoly of management of the means of production, or the appropriation of social resources on a group-property basis..., shall be contrary to the socio-economic and political system laid down by the present Constitution."

The grant, by means of a patent, of an exclusive right to work in manufacture an invention created in an organization of associated labor would be contrary to the cited text of the Yugoslav Constitution, bearing in mind that the invention created in an organization of associated labor represents a social resource. For that reason, it was necessary to find a solution which would be in conformity with the national socio-economic system and which would simultaneously preserve those characteristics of a patent which make it a factor for the promotion of technological development. That solution was achieved in Section 63 by not granting to the organization of associated labor, which is the patentee, an exclusive right to work the patented invention in manufacture, but simultaneously precluding other organizations of associated labor from working the protected invention in manufacture if a corresponding self-management agreement has not been signed with the patentee. That principle is further applied in Sections 64 and 65 of the Law, where it is stipulated that an organization of associated labor which wishes to exploit an invention, protected in the name of another organization of associated labor, is under obligation to initiate a procedure for the conclusion of a self-management agreement on the exploitation of that invention. If, despite joint efforts of the Chamber of the Economy, trade unions, etc., a self-management agreement is not concluded, as mentioned in Section 63, the Court of Associated Labor may decide on the right to use the invention as has been provided for in Section 66, which states:

"The organization of associated labor which initiated the procedure for the conclusion of a self-management agreement on the use of a protected invention may propose that the Court of Associated Labor decide on the right to use the invention upon expiration of a period of six months from the date of filing of a proposal for the conclusion of the self-management agreement.

"The Court of Associated Labor shall reject the proposal to decide on the right to use the protected invention if it was not preceded by the procedure for the conclusion of a self-management agreement on the use of the invention in accordance with Section 64 of this Law.

"The Court of Associated Labor shall grant the right to use an invention protected in the name of another organization of associated labor if it finds that the use of the invention by the organization of associated labor that wishes to use the invention protected in the name of another organization of associated labor:

"(1) does not impair the socio-economic interests of the organization of associated labor in whose name the invention is protected;

"(2) may contribute to an increase in the income of the organization of associated labor in whose name the invention is protected on the basis of its share of the joint income that would be realized by the use of the invention by the organization of associated labor that wishes to use the invention;

"(3) does not conflict with the obligations arising from valid self-management agreements or contracts concluded earlier by the organization of associated labor in whose name the invention is protected;

"(4) is not contrary to good business practices.

"In deciding on the terms under the provisions of this Section the Court of Associated Labor shall obtain the opinion of the republican/provincial chamber of the economy in which the organization

of associated labor, in whose name the invention is protected, is associated.

"Simultaneously with the determination of rights to use the invention, the Court of Associated Labor shall determine the amount of compensation for the use of the invention or the right of the patent holder to participate in the joint income realized under the provisions of Section 63, paragraph 2, of this Law."

In relation to Section 66, Section 67 should also be borne in mind, which states:

"The use of a protected invention may not begin before the self-management agreement on the use of the invention is concluded or before the decision of the Court of Associated Labor takes effect."

The provisions of Sections 66 and 67 reveal an essential difference in comparison to the solutions of the former Law. Formerly, an organization of associated labor in which an invention was created was granted, apart from private persons, an exclusive right to work a patented invention in manufacture, and thus also the possibility of achieving a monopoly over other organizations of associated labor. Now, according to the new solution, the establishment of such monopoly relations is not permitted in principle. However, if the legal conditions referred to in paragraphs 1 to 4 of Section 66 have not been fulfilled, the Court of Associated Labor may issue a decision providing that the organization of associated labor in which the invention was created has a right to preclude another organization of associated labor from exploiting that invention in manufacture.

Accordingly, the exclusive right of an organization of associated labor to work a patented invention in manufacture does not arise *a priori* from the system of protection of inventions but is constituted by decision of the court. Other organizations of associated labor may begin to exploit a patented invention only if they have concluded a self-management agreement with the organization of associated labor in which the invention was created (Section 67) or if it has been established by a decision of the court that the legal conditions under Section 66 have been fulfilled.

As patent licenses also represent social property, it was determined that Section 70 should provide that Sections 59 to 69 of the Law are to be applied correspondingly to acquired rights for working patents.

This solution is intended to prevent basically the same patented technology, protected by various patents, from being imported by several organizations of associated labor independently of whether such technology had already been imported. On the other hand, as a result of this solution holders of patented technology are granted the advantage that once their technology is imported into Yugoslavia, priority shall be given to them in having their technology exploited by other Yugoslav organizations of associated labor, instead of having the same or similar technology imported by competitive firms. In addition, pursuant to Section 136 of the Law, a licensor in the above case is entitled to compensation in proportion to the increased scope of exploitation of the patented invention. This measure

should make it possible for the Yugoslav economy to import advanced technology to a greater extent than formerly. It is realistic to expect that the owner of advanced technology will be more interested in transferring it to the Yugoslav economy when it is likely that more Yugoslav organizations of associated labor will exploit that technology in agreement than when only one organization of associated labor exploits it and other organizations of associated labor acquire the same or a similar technology from competitive firms. Accordingly, this legal solution, as well as the previously presented solutions, should provide greater motivation to owners of advanced technology to transfer it to the Yugoslav economy.

(9) With respect to the system of examination of patent applications, the introduction of a deferred examination system represents an innovation.

Sections 71 to 83 of the Law regulate questions concerning the requirements as to form of patent applications. In that respect, Section 77, paragraph 2, and Section 78, paragraph 3, contain new provisions. In Section 77, paragraph 2, it is provided that a patent application should also contain either the name of the inventor if the inventor is not the applicant himself or a statement that the inventor does not wish to be mentioned in the application. In Section 78, paragraph 3, it is provided that the applicant of the patent must state, in addition to the description of the invention, the best mode known to him of using in manufacture the invention for which the application was filed. However, even where this requirement (Section 78, paragraph 3) is not fulfilled, the patent application is still published. The publication of a patent application is regulated in Section 93, which states:

"A patent application which satisfies the requirements of Sections 77 and 78, paragraphs 1 and 2, of this Law and which is not evidently in conflict with the provisions of Sections 20 and 23 of this Law shall be published 18 months after the date of filing or after the date of the priority claimed.

"The applicant may request that the application be published before expiration of the term referred in paragraph 1 of this Section, but the application may not be published earlier than three months from the date of filing with the Patent Office.

"Upon expiration of the period referred to in paragraph 1 of this Section, any person shall have the right to inspect the application."

This provision means that an adequate application is published upon expiration of the term under paragraph 1 of the Section. However, regardless of whether or not the patent application has been published during the prescribed term, it becomes publicly accessible upon the expiration of that term. The purpose of this provision is to make the information function of the patent maximally efficient.

The novelty of an invention is examined only if a request for a complete examination of a patent application is filed (Section 84 of the Law). The request may be filed by the applicant from the date of filing of the application, and any other person from the date of its publication (Section 95 of the Law). The term in which

that request may be filed is four years from the date of publication of the patent application (Section 97).

Depending on the results of examination of the patent application, a patent is granted or rejected (Section 98).

(10) In the case of non-voluntary licenses, a new feature of the Law is that in addition to compulsory (obligatory) licenses, which were provided under the former Law, an official license (Section 144) has also been introduced. This license may be issued before the expiration of the term prescribed for a compulsory license. An official license may be issued:

"If an invention protected by a patent is used for the purpose of achieving unreasonably high prices on the Yugoslav market, or if the use of the patented invention is of general social interest in the field of public health, national defense, or protection and improvement of the human environment, or if it is of special interest for some branch of the economy...."

As the decision on the grant of official licenses is issued by a federal authority responsible for activities in the field in which the invention should be applied (authorized federal ministry), and in order to provide for a greater influence on society and associated labor, paragraph 2 of Section 144 provides an obligation on the part of the authority first to obtain the opinion of the Chamber of the Economy of Yugoslavia and the Council of the Patent Office.

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The objective of this article was to explain, in addition to the most significant innovations in the Law on the Protection of Inventions, Technical Improvements and Distinctive Signs, the basic motives for having introduced these innovations as well as the objectives that are to be achieved thereby. One of the basic objectives, as has already been said, is to make the national patent system an efficient factor for the transfer of advanced foreign technology and the development of local technology, which is the basic prerequisite for the patent system to represent a driving force of technological and economic progress. There is broad agreement as to the question of the basic social function of the patent system. However, differences appear when a selection of alternative courses should be made in adapting a national patent system to the conditions and needs of every country. The new Law represents, while respecting the principles and provisions of the Paris Convention for the Protection of Industrial Property, a selection of one of those courses. Practice and time will show to what extent those expectations will be fulfilled, and that will, among other things, depend as well on to what extent the interested circles from developed countries understand the motives for which certain solutions have been adopted and will cooperate with us in the achievement of the desired objectives. We believe that such cooperation will not fail to be achieved since it is of common interest.

Finally, Yugoslavia, as a non-aligned country, is taking appropriate measures in the international field, in accordance with the efforts being made to establish a new international economic order. Those efforts and those measures are always inspired by deep conviction that it is in the interest of all countries, both developing and developed countries, to seek out and establish new mutual relations that may contribute to diminishing economic and social differences in the modern world. One of the serious sources of those differences is the technological gap between developed and developing

countries. The adaptation of the national patent system to the conditions and needs of the country is one of the trends the aim of which is more rapid technological development. That adaptation may best be accomplished if each country, avoiding an imitation of foreign solutions, seeks its own solutions in accordance with its own socio-economic system and stage of development. The new Yugoslav Law on the Protection of Inventions, Technical Improvements and Distinctive Signs is based on such a comprehension.

## The Recent Development of Yugoslav Legislation on Distinctive Signs

V. BESAROVIĆ\*

### Introduction

The legal protection of technological information (industrial property rights) can be an effective means of encouraging, directing and utilizing the results of creative work. Achievement of this aim depends to a large extent on the adaptation of the legal order to the specific objectives of economic development and to national capabilities and needs with regard to the creation of the country's own technology base.

Problems of this kind are certainly present in the Yugoslav economy. They are the result not only of insufficient development in both macroeconomic and microeconomic terms, but also of an industrial climate that has been created in which imported know-how is favored rather than the product of local creativeness. The fact of neglecting its own scientific and research activities, and consequently having recourse to systematic imports of foreign technology, has for more than 20 years been drawing the Yugoslav economy into constant technological and economic dependence on developed countries.

Analysis of the contractual practice applied until now to technology transfer proves that distinctive signs have a strong influence on the establishment of the long-term economic dependency that exists between technology owners and Yugoslav business. The use of foreign distinctive signs (by both producers and consumers) has become a widely accepted behavioral trait on the Yugoslav market. Restoring value to distinctive signs of

local origin and returning foreign distinctive signs to their proper place are the essential steps that have to be taken if the targets of the national economic development strategy are to be attained.

The legal provisions that have regulated this subject matter<sup>1</sup> are partly "responsible" for the lack of inventiveness in the creation of national distinctive signs and for the dependence of producers and the Yugoslav market on foreign ones. The provisions did not meet the needs of the Yugoslav economy fully even when they were adopted, as they relied on solutions taken over from earlier provisions and on conceptions derived from theory and practice. They were moreover the result of uncritical receptiveness to foreign and international law on the subject. Since these Laws were adopted we have witnessed in addition to normal economic development and the immediate changes that it entails, important transformations in the socio-economic system as a whole. The transformations coincided with the enactment of the new Constitution of the Socialist Federal Republic of Yugoslavia in 1974, and by a complete revision of legal provisions, especially in the economic field. Finally, the actual application of the Laws during the past two decades has served to show up their defects and at the same time to point to new legal solutions.

For the reasons mentioned, a new Law on Inventions, Technical Improvements and Distinctive Signs was adopted in the middle of last year.<sup>2</sup> This Law is in fact a consolidated text on industrial property rights, as it incorporates the substance of three earlier laws.<sup>3</sup> The

<sup>1</sup> The Law on Designs and Models (1961) and the Law on Trademarks and Service Marks (1961).

<sup>2</sup> The Law was adopted on June 9, 1981, entered into force on June 27, 1981, and became applicable on December 28, 1981. For the text of the Law, see this month's *Industrial Property Laws and Treaties, YUGOSLAVIA—Text 1-001*.

<sup>3</sup> Law on Patents and Technical Improvements (1960). Law on Designs and Models (1961). Law on Trademarks and Service Marks (1961).

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regulation of the rights in inventions and the rights in distinctive signs by means of a single legal text is justified not only by known procedural considerations (comparable procedures for the recognition of the right, the same actions for the assertion of legal protection, etc.), but also by the substantive analogies existing between the rights. The new Law lays particular stress on the following common features of industrial property law: the moral and material rights of all creators; the social status of industrial property as a means of social reproduction; the principles of social understanding between the beneficiaries of certain industrial property rights on the territory of Yugoslavia; assignment by licensing, etc.

The 1981 Law introduces important changes in the substantive law governing industrial property. Those changes relate both to the new manner of regulating existing relations (the content of the rights protecting inventions and distinctive signs, licensing, the role of the creator, etc.) and to the introduction of new categories of protection (appellations of origin), and also the regulation of new relations (the role of creativeness in associated work, etc.).

This modified conception of the legal protection of industrial property on which the new Law is based was bound to have an effect on the actual terminology used, namely, the introduction of the expression "distinctive signs" in the Law and of the generic names of the three kinds of rights: designs; trademarks and service marks; and appellations of origin. The new approach also involved a transitional period of six months, so that the Law did not actually begin to operate until December 28, 1981.

This article will deal only with the new legal solutions in the matter of the legal protection of distinctive signs, namely, the conditions under which legal protection is secured, the content of the rights protecting distinctive signs, and the assignment of distinctive signs by means of license agreements.

## 1. Conditions for the Exercise of the Legal Protection of Distinctive Signs

### (a) Designs

Designs are distinctive signs used in trade, as they identify merchandise, thereby contributing to the distinction of one kind of merchandise from merchandise of the same or a similar kind. In developed, competitive market conditions, priority is given to the product that has a pleasant and original appearance. The outward appearance of a product is becoming more and more important to the Yugoslav consumer, and hence also the legal protection of the new shape, picture or drawing susceptible of being incorporated in a new industrial or handicraft product, as well as that of a new model, namely, the outer shape of an industrial or handicraft

product. Unlike a design, a model represents a three-dimensional form in space.<sup>4</sup>

The fundamental condition to be met for the legal protection of designs has remained the same as for the exercise of other, comparable rights: novelty. The outer shape of a given product, a shape or a drawing can only be legally protected if it is new, that is, if it is distinguished from others already deposited and those that have become accessible to the public before deposit. Whereas earlier provisions precluded the legal protection of designs that had become known either within the country or abroad, the new Law provides for examination of novelty only within the frontiers of Yugoslavia, and thus comes closer to the conceptions of certain authors regarding subjective novelty.<sup>5</sup>

The 1981 Law also includes a provision according to which a design is not taken into consideration during the examination if it has already become accessible to the public without its creator's consent. The only condition is that this should have occurred not more than six months before the date of deposit.

The Law provides for a number of limitations on the securing of legal protection. For instance, shapes of bodies or photographs cannot be protected as designs if their publication or use is contrary to the law and the moral conceptions of Yugoslav society. Shapes of bodies or photographs may likewise not be protected without the agreement of the competent authority where they represent or imitate the armorial bearings of the State or other official emblems, flags or names of countries or international organizations. Similarly, the portrait of a person may not be protected unless that person has consented. The portrait of a deceased person may only be protected on condition that the approval of the spouse and children has been obtained; where the deceased person's parents are still alive, their approval has to be obtained also. In view of the fact that in recent years effigies of historical or other famous personalities have been used as designs and that in certain cases such action has been damaging to feelings of national piety, the new Law provides the possibility of protecting the effigies of such personalities solely with the authorization of the competent authority.

One of the important new features introduced by the Law is the differentiation between designs created with the aid of communal means within organizations of associated labor (Yugoslav enterprises) and designs created with the aid of the creator's personal means of work. Shapes of bodies, paintings and drawings made by a creator as part of his work obligations in the course of regular working relations and up to six months following the end of such relations, on the organization's

<sup>4</sup> P. Roubier, *Le droit de la propriété industrielle*, Paris, 1954, vol. II, p. 421. It should be noted that in English-language jurisdictions, models are not generally distinguished from designs. In this article, the use of the word "designs" is to be interpreted as also including models.

<sup>5</sup> E. Ulmer, *Urheber- und Verlagsrecht*, 2, Berlin, 1961, p. 418.

instructions or pursuant to a work contract concluded between the organization and the creator, are considered designs created with the aid of communal means. Those designs come under special legal provisions applicable specifically to inventions created with the aid of communal means.

Under the new legislation, the creator of a design has to inform the organization without delay that the design has been made. The organization is obliged to announce within 60 days from the date of receipt of the information whether it intends to effect the deposit of the design in its name. If it does not announce this to the creator within the appointed period, or informs him that it will not effect the deposit in its name, the creator is free to effect the deposit of the design in his own name. However, bearing in mind that the design has been made with the aid of communal means, even though the deposit has been effected in the name of an individual creator, it may nevertheless be exploited by all interested organizations on the territory of Yugoslavia without the creator's agreement having to be sought. The sole condition is that the organization using it should pay the author a fee proportional to the contribution made by his design to production. This provision contradicts somewhat the traditional conception of exclusivity conferred on the owner of a right,<sup>6</sup> which operated until the new Law was adopted. There is, however, some justification for this solution in the public encouragement of Yugoslav producers to use new designs as far as possible, and in the fact that the designs are made with the aid of communal means. Moreover, the new Law affords broader protection to the creator with regard to his rights as creator since, in addition to the right to royalties, he may also claim a prize if his design has a favorable effect on the income of the organization in which it is used. The author even has the right to a royalty where his design is not used within the organization in which it is made and in whose name it is legally protected.

#### *(b) Trademarks and Service Marks*

It is impossible to assess the importance of a mark in developed market conditions. As a social phenomenon in its own right, the mark has become a typical feature of the market, and one to which all the laws of the market are applied. On the Yugoslav market it has a threefold function: it serves to identify a manufacturer and distinguish a product or service from a product or service of the same or a comparable kind; by guaranteeing certain qualities of the product it identifies, it tends more and more to play a consumer-protection role; finally, it is the most effective means of advertising the goods it designates. These are the universally known advantages of goods bearing a mark as compared with "anonymous" goods, that is, those bearing no trademark.

The new Law defines the concepts of trademark and service mark in a manner similar to the earlier provisions—as being a sign which, in trade, is intended to distinguish goods or services of the same or a similar kind. Only a sign that lends itself to distinguishing goods or services may be protected as a mark. When a sign is examined to determine whether it has that property all circumstances are taken into account, and especially the duration and extent of use of the sign, up to that time, in trade within the territory of Yugoslavia. Consequently, a sign identical or similar to another belonging to another person and enjoying earlier protection for the same or a comparable type of product or service may not be protected as a mark. As it happens, the new Law also applies the traditional conception of the right to the mark, which is that only a sign that is distinctive may be protected, as well as recognizing another principle with respect to the right to the mark, namely, the principle of relativity, according to which a mark is protected only for a specific type of goods, in other words it does not exclude the right of a third party to use the same or a comparable sign in trade to designate goods or services of another kind.

Apart from these conditions, the sign filed has to meet certain additional requirements which the Law lists negatively. The sign may not be protected as a mark if it is contrary to law and morality, if it is customary for a type of product or service, or if its appearance is such as might cause confusion in trade. Another group of signs is excluded in a relative way, in the sense that the signs may be used on condition that the approval of the competent authority or the consent of the person concerned or his heirs is obtained beforehand, namely, State armorial bearings or official emblems, flags, names of countries or international organizations and portraits of historical characters.

The new Law also deals with the question of collision between a mark and a trade name in business dealings. Recognition of the legal protection of a mark does not affect the acquired rights of other persons to use a trade name with the same or comparable contents in business dealings, regardless of the type of product. The owner of the trade name may also contest the protected mark of a third party that relates to the same or a similar type of merchandise, if he enjoys the right of prior use. In this way the Law gives the trade name precedence in use over the protected mark, subject to conscientious management. However, if the owner of the mark, at the time of filing that mark, had the same trade name as the person contesting the mark, the trade name and the mark would then have parallel validity.

In principle the owner of a mark and its user are one and the same person. The Law does, however, introduce the category of collective marks, for use by two or more persons.<sup>7</sup> In the case of a collective mark, it is the quality

<sup>6</sup> A. Troller, *Kurzlehrbuch des Immaterialgüterrechts*, Basel, 1973, p. 46.

<sup>7</sup> The Paris Convention (Article 7bis) provides for collective marks as a minimum right.

guarantee and consumer protection function that counts. The owner of a mark may be any person or entity, the mark being filed with a view to securing the right to its use for the goods or services of other establishments.

### (c) *Appellations of Origin*

One of the important innovations of the 1981 Law is the regulation of appellations of origin, which is a "new" category of industrial property rights. Appellations of origin are understood as being the geographical designations of products which, either on the products themselves or on their packaging, indicate the more or less small or large region from which the products come. For such a geographical designation to have the character of an appellation of origin, it has to possess a particular significance linked to the origin of the merchandise, from the point of view of its quality or another of its properties. On top of this, two factors may prove important, either separately or cumulatively. The first is the natural area the product comes from, meaning soil and water properties, climatic conditions, etc. The second factor is human work, the manufacturing process peculiar to a geographical region. In the case of certain products (cheeses, wines), it is a combination of several natural factors, including human work, that operates in a particular region.

Appellations of origin play an important part in the productive and commercial activities of Yugoslav individuals and entities, both on the national market and abroad. They are particularly important to the organizations concerned with the manufacture and trading of products with special properties in relation to the region in which they are produced. Moreover, an appellation of origin is a guarantee that the product concerned possesses specific qualities that make it popular on the market. However, even though the appellation guarantees a specific quality of a product, it cannot be compared to a quality mark, which is available to any manufacturer who has acquired the right to use it by contract. Finally, in a market organized in a modern way, an appellation of origin is an important publicity device in business advertising, or, to put it in another way, "the appellation of origin of goods is comparable to a fish in water; as long as it is not applied in economic competition, it remains a pale, useless abstraction."<sup>8</sup> Appellations of origin are mainly important as a means of advertising Yugoslav products on foreign markets. The possibility of affording legal protection to appellations of origin, which is now available under the new legal provisions, should make it easier to place Yugoslav products on foreign markets and offer consumers a measure of security regarding the quality and properties of the products they buy.

Under the 1981 Law, appellations of origin may be used to designate natural, agricultural, industrial and

handicraft products, and also the products of traditional crafts. For an appellation of origin to be eligible for legal protection, it has to be distinguished from the geographical appellation of a product which long use in trade has made into a generic appellation for the designation of a particular type of goods. In view of the fact that specification of the geographical origin of a product is a purely factual circumstance, it has to be decided in each case separately whether or not a product qualifies for legal protection under an appellation of origin. It is for that reason that the Law provides for a special procedure to determine the geographical names eligible to be protected as appellations of origin. The competent authority has to specify what geographical names may be protected as appellations of origin, the goods that may be marketed under that appellation of origin, the geographical region from which the protected product comes, the properties that the protected product has to possess and the manner of designating the product. Like all other industrial property rights, the appellation of origin is also established by recording the geographical name given to the product and the type of product to which the name relates in the register of protected appellations of origin.

## 2. Content of the Law Protecting Distinctive Signs

The legal position of the creator, inventor or author has been substantially altered by the new Law. One of the legislator's fundamental aims was to encourage research activities and creative activities on as broad a basis as possible. The most effective way of achieving that aim was to allow creators unrestricted enjoyment of all the moral and material rights associated with the results of their work. Under the new Law creators have those rights *ex lege*, not just as a favor granted by the organization or establishment to which they belong. In certain cases the authors cannot even voluntarily waive their moral and material rights.<sup>9</sup>

### (a) *Designs*

The moral right that may be claimed by the creator of a new shape for a product or of a design or image that is intended to be applied to a product is the right to be mentioned as the creator in the deposit and in all written matter relating to the results of his work. The Law provides that he may claim other rights under other provisions—without prejudice of course to the rights accorded him by the Law itself. If the design for which legal protection is sought is the result of creative work by more than one person, all the persons named in the deposit as being the creators will be regarded as such in terms of the Law and they will have the same moral rights.

<sup>9</sup> For instance, a statement whereby a worker in an organization of associated labor renounces in advance the moral and material rights belonging to him as creator is null and void (Section 13 of the Law).

<sup>8</sup> W. Tilmann, *Die geographische Herkunftsangabe*, Munich, 1976, p. 50.

The substantive rights of the creator are his right to exploit the results of his work and to dispose of it either *inter vivos* or through his heirs on his death. If the creator assigns the right to use his design to a third party, he may claim a royalty under legal provisions. The amount of the royalty will depend on the agreement reached between the creator and the user of the design; should they fail to agree, the amount of the royalty is set by a decision of the competent court. One of the novel features of the Law is the creator's right—in addition to compensation for the use of his design—to a share in the proceeds or profits accruing to an establishment through the use of his design. The right to a share in profits is a completely new right for the creator; it should encourage creators to assign their designs to organizations rather than apply for their legal protection and then never make use of them. The creator has the right to a share in the proceeds as long as his design is used. The right is limited in duration to the term of legal protection of the design, namely five or ten years according to the particular circumstances.

The legal solutions for the content of the right belonging to the owner of a design owe their origins to the need to make the most extensive use possible of new conceptions and ideas in the Yugoslav economy. The Law therefore gives extensive rights to the holder of a protected design. He has the exclusive right to make use of the design, and therefore the right to withhold authorization for third parties to make use of it. He also has the exclusive right to market manufactured goods incorporating the protected design on condition that they are manufactured within the territory of Yugoslavia. He further has the right to dispose of the protected design *inter vivos* or through his heirs on his death. If he assigns the design to a third party, in other words to a user, he has the right to a royalty *ex lege*; if the assignee makes use of the protected design in manufacture, the owner has the right to a share in the proceeds realized thereby and attributable to the use of the protected design.

If, however, the owner of the protected design does not use it or does not authorize a third party to use it, his rights are considerably restricted: he does not then have the exclusive right to market manufactured goods incorporating the protected design, in other words, he is not entitled to prohibit third parties from marketing such goods. If the owner uses the protected design in the territory of Yugoslavia, or authorizes a third party to do so, he is entitled to prohibit third parties from marketing manufactured goods incorporating it.

This limitation under the new Law of the power given to the owner of a design has caused considerable reaction abroad. The fact is that such a way of organizing things is a departure from time-honored principles in the field of industrial property, and from the legal system that was in force before this Law was adopted. However, in the formal and legal sense, it does not appear to be contrary to treaty law. The Paris Convention does not in any of its provisions specify that the

content of the rights of the owner of a patent or design is to be considered obligatory; on the other hand, it does leave the national legislation of member States free to determine the extent and content of those rights and obligations. The same legal system applies to all owners of rights, whether Yugoslav nationals or foreign natural persons or legal entities. The national treatment principle, which is one of the fundamental principles of the Paris Convention, is thus properly respected.

However, the fact is that the rights of the owner of a design, if he does not use it in production on the territory of Yugoslavia or does not authorize a third person to do so are limited. Experience has shown that a minimal number of designs are actually used in Yugoslav production, and that the owner acquires an effective market monopoly through his protected right. The situation is still more serious when the owner is a foreigner, since in that case he has the right to prohibit the import of manufactured goods incorporating the protected designs. This provision is likely to slow down the deposit of designs if there is no intention to use them, or if the owner is not prepared to assign them to a third party. If, on the other hand, the owner uses the subject matter of the legal protection—namely the design—he will have all the rights that he had before the new Law was adopted.

All the above rights accrue to creators at the time of the recognition of the design and recording of the rights so recognized in the appropriate register. The rights operate as from the filing date of the application and remain valid for five years. If, in the course of the term of legal protection, the design is put to use in production on the territory of Yugoslavia, and if that production is sufficient to meet the needs of the majority of the Yugoslav market, the term of legal protection is prolonged for a further term of five years.

#### (b) Trademarks and Service Marks

The owner of a mark has the exclusive right to make use of the mark in trade to designate his goods and services. This includes the right to use the mark on packaging and in catalogs, advertisements, invoices, etc. In the case of a collective mark, the user has the right to use the mark according to the general act relating to that mark, which is filed together with the application for legal protection.

Unlike earlier provisions on marks, the new Law provides for compulsory use of the protected mark. Thus if within a period of three months following the date of registration the owner of a trademark or service mark fails without a legitimate reason to start using the mark to designate the goods or services for which he has sought legal protection, the mark may be cancelled at the request of any interested party. The situation is the same if the owner stops using the mark for more than three years: it may be cancelled on expiry of that period, which starts on the date on which the mark was used for

the last time. Consideration will of course be given in each individual case to the reasons for which the owner has not started or has stopped using the mark. The collective mark may be cancelled at the request of an interested party not only for non-use but also for use in a manner contrary to the general act relating to the mark. In that case cancellation operates as from the time of unlawful use of the mark. In the case of non-use, the mark ceases to be valid on the date on which the decision to cancel takes effect.

Compulsory use of the mark is another innovation in Yugoslav law. There are, however, many countries party to the Paris Convention that also make provision for it, the only difference being that the period prior to the application for cancellation ranges from three to five years.<sup>10</sup> The reason for the adoption of this provision lies in the fact that, from year to year, the number of marks registered in Yugoslavia but not used or assigned for use to others (by license agreement or some other form of contract) is increasing. Unused marks serve as "blocking" or "defensive" marks, and their purpose is to preserve a market monopoly for an indefinite period. They negate the fundamental purpose of trademark law, under which a mark is protected as a means of designating, in trade, the goods of that mark's owner. Taken out of its trade context, the mark has no value other than that of limiting the number of individuals and entities operating in production and business. Marks that are registered but not used hamper Yugoslav organizations in their efforts to find an available and suitable mark, on the one hand, while, on the other, they offer their owners a monopoly of the market. They are, moreover, a burden on the administration and registries with which they are filed.

The right to a mark is acquired by recording in the appropriate register, from which it derives its legal protection. The owner acquires the right as of the filing date of the application, and the duration of the right, unlike that pertaining to designs, is not limited in time.

### (c) Appellations of Origin

The Yugoslav Law on the Protection of Inventions, Technical Improvements and Distinctive Signs has allowed the concept of a personal link between a protected appellation of origin and the user in whose name the appellation is registered.<sup>11</sup> Consequently, the specific properties of the product attributable to its geographical origin only enjoy separate legal protection if the entitled person uses them in trade. The entitled person is the one entered in a special register, namely, the register of users of appellations of origin. An appellation of origin may only be used for the designation of goods by entitled

persons, and then only for goods for which such an appellation of origin has been introduced.

The authorized user of an appellation of origin has the right to use that appellation to designate his goods (not all of them, only those entered in the register) in trade. This right also includes the use of the protected appellation on packaging materials and business documents and for advertising purposes.

The right to use a protected appellation of origin is provided for a period of five years following the date of recording in the register, and it may be renewed indefinitely. The Law does not provide any formal obligation to use appellations of origin in trade, but it does provide the possibility of such an obligation being introduced by a future regulation. This approach would appear to be justified from the point of view of consumer interests as it would oblige the users of a protected appellation to designate their goods correctly and consistently. The obligation to use an appellation of origin would also have a beneficial effect on the quality of the goods designated by it. It is further justified for the same reasons as have been mentioned in connection with marks: the *ratio legis* of the registration of appellations for the designation of goods is their use in trade; without use, those appellations (marks and appellations of origin) are practically valueless.

### 3. License Agreements

The Law on the Protection of Inventions, Technical Improvements and Distinctive Signs provides for the license agreement as a basic instrument in the transfer of the right to use inventions and distinctive signs. It specifies the compulsory contents of the agreement, the possibility of its registration, the prohibition of restrictive clauses and some restrictions affecting the contracting parties with respect to the subject matter of the agreement.

The subject matter of a license agreement may be an invention, a design or a mark, whether deposited or otherwise protected. Appellations of origin and collective marks may not be transferred by license agreement. The license agreement has retained the characteristics of a classical agreement under the new provisions. For the grant of a license, the consent of the owner of the rights or of the person who filed the application for recognition of the rights is necessary; if there are two or more such owners or applicants, the consent of all of them is necessary. The license agreement is concluded for a specific period which may not exceed the duration of the legal protection accorded to the subject matter of the agreement.<sup>12</sup> The agreement has to specify the scope of the license granted, and also whether the license is an exclusive or a simple one. If the amount payable for the right

<sup>10</sup> Austria, France, Germany (Federal Republic of), Soviet Union, Switzerland, etc.

<sup>11</sup> J.-M. Auby, R. Plaisant, *Le droit des appellations d'origine: l'appellation Cognac*. Paris, p. 373.

<sup>12</sup> This provision does not appear in the Law on Inventions, but in the 1978 Law on Obligations (Section 688).

granted has been agreed upon, it is to be stated in the agreement.

The new Law offers the contracting parties the possibility of having the license agreement registered, at the request of both parties or only one of them. Recording in the register gives the agreement absolute legal effect, in other words, it makes it binding on third parties. If it is not registered, its legal effect operates only between the contracting parties themselves.

License agreements concluded between Yugoslav organizations and foreign natural persons or legal entities contain quite a number of restrictive clauses. Analysis of agreements concluded during the last ten years has shown that 98 out of 100 contained restrictive clauses.<sup>13</sup> The most common restrictive provisions are limitations on the use of patented inventions or know-how and regarding the payment of royalties after the expiry of legal protection; there are also territorial restrictions in the case of export of goods manufactured with the aid of foreign technology and designated by a foreign mark, limitations on the activities of the licensee, restrictions on sales, etc. Bearing this situation in mind, the Law prohibits the inclusion of restrictive clauses in license agreements. For the purposes of the Law, restrictive clauses are all provisions that subject the licensee to limitations not deriving from the rights that are the subject matter of the agreement or limitations not necessary for the maintenance of those rights. With the exception of the definition of restrictive clauses and the general prohibition on their inclusion in the agreement, the Law specifies neither categories for those provisions, nor their effect, nor any sanctions for their unlawful inclusion in the agreement. The reason for that is probably the existence of provisions on restrictive clauses in another legislative text which governs the subject matter in a far more detailed fashion.<sup>14</sup>

The Law provides also for certain restrictions depending on the subject matter of the license agreement. For instance, if the subject matter is the grant of the right to use a design, the Law provides for two restrictions.

It was once well known that foreign licensors were successfully placing the same license twice or several times, in other words, entering into agreements for the same license with two or more Yugoslav establishments at the same time. In that way the licensees were engaging in unfair competition between themselves on both the Yugoslav and export markets, thereby doing themselves and also the whole Yugoslav economy a great deal of harm. In most license agreements, any element of collaboration or improvement between licensees of one and the same technology was prohibited. The question whether or not it was the same license had no effect on the amount of the royalties that the licensees had to

pay. It is for that reason that the new Law allows the foreign party to grant the license to only one legal entity on the territory of Yugoslavia. That means that the Yugoslav licensee organization becomes the sole beneficiary of the license on the territory of Yugoslavia for the duration of the agreement. The nature of the license, namely, whether it is exclusive or simple, has no effect on that as, on the territory of Yugoslavia, any license is exclusive in effect for the duration of the agreement. On expiry of the agreement, the licensor may enter into new agreements with interested parties.

Another restriction on licenses for designs consists of a type of sublicense which a third party can obtain without seeking the agreement of the licensor. The organization interested in using the license for which an agreement has already been entered into by a Yugoslav establishment and a foreign party in accordance with the provisions applicable cannot enter into another agreement for the same license with the same licensor for as long as that agreement lasts. The organization does, however, have the possibility of entering into a self-management agreement for the association of labor and resources<sup>15</sup> with the licensee organization, and in that way acquires the right to make use of the license even though it has not itself entered into a license agreement with its holder. This way of using "someone else's" license differs from the institution of sublicensing, on the one hand, in that there is no need to seek the consent of the holder of the license, which is the rule in the case of sublicensing and, on the other hand, in that the beneficiary organization and the licensee organization both benefit from the subject matter of the license (in manufacturing, marketing, etc). In order to give the licensor material indemnification, he is accorded the right to a royalty proportional to the increased share attributable to the use of his protected design. Even though the licensor has the right to special remuneration for the use of the subject matter of the license in this case (in addition to the royalty laid down in the agreement), it is nevertheless unnecessary to seek his agreement in order to work his license, which is certainly a restriction of his moral rights.<sup>16</sup>

When the subject of the license agreement is the transfer of the right to use a trademark or service mark, the Law also provides for two restrictions affecting the contracting party.

In order to prevent the transfer of "naked" marks, in other words marks without accompanying technology, which have a marketing effect only and do not make any contribution either to the licensee or to the economy of

<sup>13</sup> Federal Patent Office: Analysis of License Agreements, Belgrade, 1978.

<sup>14</sup> The 1978 Law on Long-Term Production Cooperation, Technical and Business Collaboration, and the Purchase and Grant of the Substantive Right to Technology Between Yugoslav Organizations and Foreign Parties (Section 37).

<sup>15</sup> The conclusion of agreements for the association of labor and resources was introduced by the 1974 Constitution of Yugoslavia as a form of collaboration between Yugoslav organizations in production and trade.

<sup>16</sup> The 1960 Law on Patents and Technical Improvements, which has been repealed, contained a provision to the same effect on the subject of patents (Section 27) and technical documentation and know-how (Section 97). No Yugoslav organizations, to the knowledge of this author, took advantage of the possibilities offered by those provisions during the two decades of the Law's validity.

the country as a whole, the Law prohibits the transfer of a mark from abroad without the corresponding technology. That means that the mark (trademark or service mark) may be the subject of a license agreement solely on condition that the agreement provides also for the assignment of the technology whereby the Yugoslav organization to which the license for the mark is granted may ensure the same quality of goods and services as was provided by the licensor. However, if the licensee of the mark already possesses that technology, there is no obligation to transfer the mark and the technology at the same time, so in that case the license agreement may provide solely for the transfer of the right to use the mark. Yet then there would not seem to be sufficient reason to enter into a license agreement at all, for if the Yugoslav organization has already mastered the technology necessary for the manufacture of the goods, it can then use its own mark to designate them. As far as is known, this situation is uncommon in reality (namely the fact of Yugoslav organizations of associated labor possessing sufficient technology to be able to do without the assistance of foreign partners), with the result being that this exception can be used by contracting parties as a cover for evading their obligations under the Law.

Another restriction has to do with the obligation on the licensee, namely, the Yugoslav organization, to make use of a national mark registered with the Federal Patent Office in addition to the foreign mark that is the subject of the license agreement. Experience has shown that, in the case of combined licenses involving the mark and the technology, when the validity of the technology agreement expires and the licensee becomes independent, the latter nevertheless continues to be economically dependent, through the mark, on the foreign partner. The owner of the mark is in a position that enables him to impose different conditions on the licensee, who for its part eventually accepts them, in order to avoid losing the right to use the foreign mark and having to stop production. The licensee cannot escape this dependency unless it stops using the foreign mark and starts to designate its goods with its own mark. Yet the national mark, once the foreign mark has been taken away, is unknown to its clientele, and this results in an unavoidable drop in the demand for the goods or in income. If in addition to the foreign mark the licensee had also been using its own throughout the period of validity of the license agreement, its position would be the same as that of any licensee, in other words, it would be free of any dependence on the foreign partner.

### Conclusion

Any alteration of the existing legal order provokes certain reactions within the country and abroad. When the Law is one that codifies a whole area—namely industrial property—and brings new solutions to a whole series of legal questions, the reactions are understandable.

The new Yugoslav Law on Inventions, Technical

Improvements and Distinctive Signs rests on a modified conception of the relations between creators, the results of their work and society at large. The adoption of the new Law was motivated by a search for solutions to problems that were weighing on the Yugoslav economy: insufficiently developed scientific and research activity and its long-standing economic and technological dependence on foreign countries. Moreover, more than two decades have elapsed since the last legislative texts on industrial property were adopted, during which time we have witnessed important changes in the national socio-economic system and in economic development. Consequently, many new requirements have emerged in the field of economic and civil rights, so that the former requirements governing industrial property have become inadequate from a point of view of form (no longer being in line with other legal requirements), and substance too (changes in the relations governed by these requirements).

The 1981 Law contains a large number of new solutions. However, they all rest on certain basic conceptions that are new to Yugoslav industrial property legislation. The abandonment of the classical conception of the exclusive, absolute right granted to the owner of a patent, design or mark is the result of the introduction of the "public interest" category and of the necessity of creating a national technology base. It should be noted in this connection that a distinction is now made between work done with public means within organizations of associated labor and work done with private means during leisure time. The new Law has also provided creators, in order to promote scientific and research activities, with moral and material rights of considerably greater scope and different content in relation to the results of their work. On the assumption that any country (and especially a developing country) has an interest in according legal protection only to such rights as are actually exercised on its territory, the new Law has introduced a whole range of provisions to encourage the exercise of the rights protected (the right of exclusive trading, the dual term of legal protection, etc.) and to penalize failure to exercise them (the possibility of having a mark cancelled, etc). In view of the necessity of protecting the interests of Yugoslav business the new Law has also introduced restrictions on the transfer of technology and license agreements.

Finally, it has to be said that time will not fail to show to what extent the new legal solutions will contribute to the attainment of the proposed objectives, namely the consolidation of the technology base and a change in technology transfer relations. All things considered, foreign natural persons and legal entities will eventually be equal, with respect to their rights and obligations, to Yugoslav natural persons and legal entities; in other words, the national treatment principle will be applied absolutely to countries party to the Paris Convention. The principle of formal or *de facto* reciprocity will apply to the others.

## The Nairobi Treaty on the Protection of the Olympic Symbol

G. STRASCHNOV \*

To endeavor to interpret the Nairobi Treaty on the Protection of the Olympic Symbol (hereinafter referred to as the "Nairobi Treaty"),<sup>1</sup> it would seem essential that attention first be devoted to the scope and application of the symbol under the Rules (Olympic Charter) of the International Olympic Committee (hereinafter referred to as the "IOC"). It will then be necessary to retrace the origin of the Treaty and to identify the phases gone through during its preparation, before arriving at the text adopted by the Diplomatic Conference last September. Thus are defined the three main lines along which this study will be conducted. It has been written as a strictly personal paper and represents the views of the author alone, who has not been able to consult any preceding interpretation and who is putting forward ideas which, as he is aware, are in certain cases purely hypothetical. But this work had to be undertaken if only to set in motion a debate whose outcome might place the Treaty in its true light.

### I. The Olympic Charter

No one is likely to contradict the author when he claims that the Olympic symbol has become in recent years the most sought-after badge in the eyes of producers, wholesalers and retailers, not only of sports articles but also of a very wide range of other objects, such as items of clothing, books and other printed matter, jewelry, suitcases, drinks and food products, and so on. The popularity of the Olympic symbol is due to the ever-increasing dimensions taken on by the Games, to their transmission by television throughout the world and to the enormous concentration of reporters, photographers and film-makers at the sites where the Games take place. There are numerous Olympic Rules governing the symbol and these Rules should be borne in mind in view of their direct effect on the implementation of the Nairobi Treaty, as will be seen when examining the interpretation of this latter instrument.

1. What is meant by the words "Olympic symbol"? It consists of a fixed arrangement of five rings interlaced in a very special way, each ring having a different color, that is to say, from left to right, blue, yellow, black, green and red. The symbol was presented in this form in the center of the Olympic flag by Baron Pierre de Coubertin at the Olympic Congress in Paris in 1914. Under Olympic Rule 6, the Olympic symbol comprises the five rings alone, whether delineated in a single color or in different colors.

The question therefore immediately arises of whether the design by Baron de Coubertin, who died much less than 50 years ago, does not enjoy copyright protection. The question has never, at least to my knowledge, been put to a legal test but I feel that the outcome of any proceedings would be very uncertain. There would be cases where the court felt that, in view of the choice of colors and the fashion of interlacing the rings, it constituted a work deserving protection. In other cases, and these would probably be far more numerous, the judges or the experts they called in would be of the opinion that it constituted a purely geometrical design which, although ingenious, did not constitute a work within the meaning of copyright since the intellectual effort devoted to designing it did not really attain the dimensions of a truly creative effort. The IOC has therefore never seriously envisaged basing protection of the Olympic symbol on copyright, which is, moreover, too limited in time.

2. Part 1 of the bye-law to Olympic Rule 6 states that the Olympic symbol is the exclusive property of the IOC. The latter must take every appropriate step possible to obtain its legal protection on a national and international basis. It will be seen later what steps the IOC had taken before thinking of protecting the symbol as a mark.

3. A remark of fundamental importance must be made at the very outset: under part 7 of the bye-law to Olympic Rule 6, the use of the Olympic symbol for publicity or commercial purposes of any kind is strictly forbidden. The reason for this provision, which also applies to the Olympic flag, flame and motto, is obvious: the Olympic symbol must preserve its most important characteristic which is to represent a worldwide movement inspired by an ideal of international goodwill and contacts between nations through sport and should not be devalued by appearing on T-shirts, drinks or soap powders.

As an exception to this rule, the IOC encourages the issuance of postage stamps bearing the Olympic rings by the appropriate authorities of the various countries.

4. To carry out its task, of which the four-yearly organization of the Olympic Games is but the culmination, the IOC recognizes in each territory (whether this be a State or a territory that has not yet achieved political independence) a National Olympic Committee (hereinafter referred to as "NOC") whose objects, autonomy, basic composition and other terms of reference

\* Legal Adviser, International Olympic Committee, Lausanne. The views expressed in this study are those of the author alone and do not necessarily reflect those of the IOC.

<sup>1</sup> For the text of the Nairobi Treaty, see *Industrial Property Laws and Treaties*, MULTILATERAL TREATIES—Text 1-007.

are laid down by Olympic Rule 24. Remaining within the field of interest of this study, each NOC may obtain the approval of the IOC for an emblem, such emblem being defined by Olympic Rule 6 as the combination of the Olympic rings with another distinctive sign. The emblem differs from the symbol in two main ways: firstly, it may not consist solely of the five rings and must contain a further distinctive sign; secondly, its use for publicity or commercial purposes is permitted under various conditions contained in the bye-law to Rule 6. The situation of the Organising Committees of the Olympic Games (hereinafter referred to as "OCOG") is identical in this respect. An OCOG also obtains approval from the IOC for a special emblem, which it markets under the conditions set forth in the Olympic Charter. It is essential to emphasize in this context that the NOCs and the OCOGs market their emblems in their own names and on their own behalf and in no way act on behalf of the IOC, which does not share in the profits obtained from the granting of licenses to use the emblems of the NOCs and the OCOGs. To anticipate Chapter III of this study, it should be explained that under the terminology of Article 1 of the Nairobi Treaty, the emblem is a sign containing the Olympic symbol. It is of basic importance to make a distinction between symbol and emblem when interpreting various provisions of the Nairobi Treaty, particularly Article 3.

5. A further provision in the Olympic Charter has to be highlighted in order to refer to it when interpreting Article 4 of the Nairobi Treaty. According to parts 11 and 12 of the bye-law to Rule 6, the emblems of the OCOGs and the NOCs may not be used for commercial purposes on the territory of another NOC without the latter's prior approval. The same is true, to some extent, of emblems which the IOC may create itself by authorizing a third party to use a sign containing the Olympic symbol. The need for prior authorization by the NOC on whose territory an emblem is to be commercially exploited is justified by the competition that might thus be created with the licensing contracts which the NOC itself has concluded in respect of its own territory; the number of such contracts and the potential revenue would be reduced if other emblems, either those of another NOC, of an OCOG or of the IOC itself, may be used on the same territory and perhaps on similar products to those for which the NOC has granted exclusive rights. There is an obvious wish on the part of the IOC to ensure by means of this provision the economic viability of the NOCs for which licensing contracts in respect of their emblems represent a major source of funds.

6. Virtually all NOC emblems contain the Olympic symbol, as do all the OCOG emblems. On the other hand, it is extremely rare for the IOC to create an emblem and to subsequently exploit it either itself or through exclusive agents. The examples of IOC emblems known so far are extremely rare and the situation would not seem likely to change in the future since the IOC is quite aware of the reticence that would be

expressed by the NOCs on the use of such an emblem on their territory. This remark is of some importance in connection with Article 3 of the Nairobi Treaty and it will be referred to again when the significance of that provision is examined.

7. Although, as already emphasized above, the NOCs and the OCOGs exploit their emblems in their own name and on their own behalf, the IOC nevertheless ensures some degree of coordination to prevent the Olympic ideal from being betrayed and to maintain scrupulous respect for the dignity of the Olympic movement and of the Games. All licensing contracts concluded by an OCOG must receive prior approval from the IOC, must have a limited term of validity so as not to impede the OCOG of the following Games and may not involve certain products clearly contrary to the efforts of sportsmen, such as alcoholic beverages and tobacco. The same restriction applies to licensing contracts concluded by the NOCs, which do not need prior consent from the IOC but whose communication may be required at any time by the IOC. In short, since the IOC is the guardian of the Olympic movement and the exclusive owner of the Games and of all rights in them, it maintains the right to keep control of them and thus ensure the cohesion of the Olympic movement and the optimum running of the Games.

## II. Origin of the Nairobi Treaty

Mention has already been made of the IOC's statutory obligation to take every appropriate step possible to obtain legal protection of the Olympic symbol on a national and international basis. The NOCs must do their utmost to take the necessary steps to ensure that their countries become party to a possible treaty for the protection of the symbol. They undertake to secure that any use of the symbol in conflict with the Olympic Charter is discontinued. Such is the essence of parts 1 and 2 of the bye-law to Rule 6.

1. In its wish to meet its obligations deriving from the Charter, the IOC has attempted in the past to have the Olympic symbol registered as a mark. This attempt, at least in the beginning, met with the almost insurmountable problem of the IOC being neither manufacturer nor trader and of the country in which it has its headquarters, that is to say Switzerland, not accepting the registration of service marks. It was only after lengthy negotiations, in which the IOC was able to show that it was the publisher of printed matter sold to the public bearing the symbol as a distinctive sign, that the Swiss authorities granted the IOC registration of the symbol as a mark, although limited to Class 16. Following this registration, the IOC obtained an international registration with WIPO in order to extend protection to all members of the Madrid Union (25 countries) and, with

the exception of Portugal, all agreed to protect the symbol in that Class. However, the IOC was fully aware that such restricted protection, applicable only to brochures, newspapers, periodicals and similar objects, left it helpless when faced with the need to maintain the ideal value of the symbol in respect of the producers of skis, shoes, films, trinkets, drinks or travel goods. It therefore had to redirect its efforts and search for other ways to obtain protection of much greater scope and of an unlimited duration if possible. In the course of its search, the IOC discovered that the Paris Convention for the Protection of Industrial Property was to be revised and had the idea of grasping the opportunity to create a link between the Revision Conference and the protection of its symbol.

2. Aware of the importance that protection of the Olympic symbol represented for the NOCs of the developing countries, whose emblems, containing the symbol and enjoying international protection, could become a source of revenue not to be disregarded, the Government of Kenya addressed a letter to WIPO on December 16, 1977, suggesting that it be studied whether the symbol could not be granted protection within the framework of the revision of the Paris Convention, either by means of a Protocol annexed to the Convention, of which it would not constitute an integral part, or as a special treaty based on the model of Article 44 of the Red Cross Treaty of August 12, 1949. This suggestion was set out in more detail in a letter of May 4, 1978, in which the Government of Kenya formally requested the Preparatory Intergovernmental Committee for the Revision of the Paris Convention for the Protection of Industrial Property to enter on the agenda for its following meeting the question of protection of the Olympic symbol. The request was supported in writing by both the Government of Saudi Arabia and the Government of Tunisia.

3. Following these governmental requests, the matter was placed on the agenda of the fourth session of that Preparatory Intergovernmental Committee, which took place in Geneva from June 26 to 30, 1978. No unanimity was achieved in the discussions and the Committee decided that if, at the opening of its fifth session, the Spokesmen for the three Groups were in agreement that the matter of protection of the Olympic symbol should be entered on the agenda for that fifth session, it would be proceeded with in that way. These Groups are those formed by the industrialized market economy countries, developing countries and industrialized Socialist countries.

Among the documents submitted to the fifth session of the Preparatory Intergovernmental Committee, held in Geneva from November 28 to December 6, 1978, was a memorandum drawn up by the Director General of WIPO on this subject; annexed to the memorandum was a draft Protocol on the Protection of the Olympic Symbol. The draft Protocol contained, by and large, the provisions now set out in the Nairobi Treaty but con-

stituted an annex to the Paris Convention without being an integral part of it since it was open to ratification or accession, and also to denunciation, independently of that Convention. This document had been drawn up in connection with agenda item 3(vi), which bore the following footnote: "This item will be on the agenda only if the Spokesmen of all three Groups so agree."

The report adopted by the Committee at its fifth session records that after lengthy discussion, during which the fear was expressed by one State that special arrangements made for the Olympic symbol could constitute a precedent in cases where similar treatment would be difficult to avoid, the Director General proposed that the Provisional Steering Committee give a definitive decision at its session in March 1979 on whether the matter of the symbol was to be entered on the agenda for the Diplomatic Conference. That Committee, meeting in Geneva from March 20 to 30, 1979, decided favorably and the draft Protocol was therefore submitted to the Diplomatic Conference held in Geneva from February 4 to March 4, 1980.

4. The Diplomatic Conference nevertheless was a disappointment to the IOC since practically the whole of its time was taken up in reaching agreement on its own rules of procedure, particularly the majority required for revision of the Paris Convention. It had no time to deal with any of the questions of substance, including that of protection for the Olympic symbol. At most, it heard the invitation of the Government of Kenya, subsequently confirmed in writing, to hold a special conference in respect of the protection of the symbol at Nairobi, separately from the Revision Conference which, according to the spokesman for the Government of Kenya, could nevertheless follow immediately upon the conference relating to the symbol and could also be held in Nairobi. Subsequently, the Assembly of the International Union for the Protection of Industrial Property (Paris Union) took a final decision at its extraordinary session from September 22 to 26, 1980, setting out the following principles: a separate conference for the adoption of an independent instrument for the protection of the Olympic symbol would be held in Nairobi on September 24 and 25, 1981; discussions would be based on the draft that the Director General had drawn up for the Protocol, supplemented, of course, to make it an independent instrument; the rules of procedure of the separate conference would be those adopted by the first session of the Diplomatic Conference, it being understood, however, that the separate conference would hold only plenary sessions without making use of subsidiary bodies and that the adoption of the final text of the independent instrument would require a two-thirds majority; signature of the instrument would take place on October 24, 1981, that is to say, simultaneously with the signature of the revised text of the Paris Convention. Thus, at last, the IOC saw a real chance of success appearing over the horizon.

### III. The Nairobi Treaty

The Conference did in fact meet on September 24, 1981, but despite an all-night session, was not able to complete its work until September 26, 1981, for the procedure had been held up by a request for voting by roll call, supported by a second delegation and accepted in accordance with Rule 47(2) of the Rules of Procedure. Let us, however, immediately note the result of this vote in which, of the 37 States, 35 voted in favor of the Treaty, one State abstained and one voted against it. It is therefore fair to say that the adoption of the Nairobi Treaty was virtually unanimous. This being said, attention may thus now be devoted primarily to the substantive provisions forming Chapter I of the Treaty.

#### Article 1

1. In principle, each Contracting State is obliged to protect the Olympic symbol. No derogation to this obligation may be made except in those cases where, with the authorization of the IOC, a State may permit the registration of the symbol as a mark or may not refuse or invalidate its registration or prohibit by appropriate measures the use, as a mark or other sign, for commercial purposes, of the symbol or of a sign containing the symbol as defined in the Olympic Charter of the IOC. A number of concepts used in this highly concentrated text require commentary or interpretation, which, in some cases, is put forward with hesitation for lack of any literature to which reference could be made.

2. There is justification for assuming that a refusal to register would be decided *ex officio* in those States whose legislation provides for the possibility of refusal and does not oblige the registering office to accept an application without prior examination. One may also assume that invalidation would probably be the result of a request by the IOC or the appropriately authorized NOC, rather than *ex officio*, and that the same would apply for the prohibition of use. The reference to appropriate measures thus refers to domestic arrangements, not only as regards procedure but also the civil and criminal penalties where prohibition has not been complied with.

3. The text makes a clear distinction between registration and use. Whereas registration may be for any purpose, particularly a purely non-lucrative one, for instance for sports or humanitarian ends, use falling within the purview of Article 1 must be for commercial purposes.

4. Registration or use must concern the Olympic symbol as described above under I.1 and as described in the Annex to the Treaty. Article 1 relates to the Olympic symbol proper, that is to say the five rings alone, as well

as to any sign containing this symbol, in other words the emblem within the meaning of the Olympic Charter (see item 1.4, above, where this concept has been explained). I feel, however, that Article 1 of the Treaty, whose purpose is that of protection, must be interpreted, at least to some extent, extensively and that its subject matter is not only of a private nature but also of a public one and, consequently, that its intent is also to protect the public from any confusion. If this interpretation is correct, protection, without extending to signs related to the symbol or an emblem in a relatively distant way, nevertheless relates to a sign whose very close similarity could lead the public to believe that it was the Olympic symbol or a sign containing the symbol (emblem). I am of the opinion that in cases where the spacing between rings differs from the official spacing or where the colors are inverted or where the interlacing is not exactly that conceived by the designer, Baron de Coubertin, Article 1 remains applicable and the commitment of the Contracting States cannot be avoided.

5. Article 1 makes the obligation explicitly subject to Articles 2 and 3 of the Treaty. As we shall see, these two provisions are optional and are not imposed on the States but, as concerns the first one, it is highly likely that it will in fact be invoked. I shall immediately set out the reasons for this.

#### Article 2

The intent of this Article, which is optional, is to protect acquired rights, with paragraph (4) alone being outside this context since it constitutes an independent optional exception.

1. According to paragraph (1), a Contracting State, in order to safeguard acquired rights, is not obliged to comply with the rules laid down in Article 1 in a number of cases:

(i) Where a mark consisting of or containing the Olympic symbol was registered in that State prior to the date on which the Treaty entered into force upon its territory. Nor is it obliged to apply Article 1 if registration was carried out during the suspension of Article 1 pursuant to Article 3. To make it immediately clear, acts prohibited by Article 1 but carried out during the suspension under Article 3 will remain in force even after the suspension has been terminated.

(ii) A Contracting State is also not required to apply Article 1 with respect to use for commercial purposes, on its territory, as a mark or in other circumstances, of the Olympic symbol or of a sign containing it by any person or enterprise who or which has lawfully started such use prior to entry into force of the Treaty on the territory of the State concerned. Here again, this rule applies optionally if use began

during suspension under Article 3 of the Treaty, even if it continues after suspension has terminated.

(iii) It is necessary, however, that use should have begun "lawfully," that is to say without infringement of any law in force in the State concerned before it was obligated by the Treaty, for example, a law according an exclusive right in the symbol to the NOC.

(iv) Paragraph (2) of Article 2 contains an optional dispensation for Contracting States concerning marks whose registration has resulted not from an act directly on the part of the interested party in the State concerned but as a consequence of a treaty on international registration, such as the Madrid Agreement or the Trademark Registration Treaty (TRT), to which the State is a party.

(v) Paragraph (3) of Article 2 specifies that the use to which the Article refers is not only that undertaken by the "primary" person or enterprise but also by the "secondary" person or enterprise, that is to say, the party that has carried out the use with the authorization of the "primary" person or enterprise.

(vi) Since Article 2 constitutes an exception to the general rule laid down in Article 1, I feel that its interpretation should be restrictive and no cases other than those explicitly and limitatively enumerated in Article 2 should be carried out without bringing into play the Contracting State's obligation under Article 1. I am therefore of the opinion that a person or enterprise authorized to continue using the Olympic symbol or a sign containing it may not, after the entry into force of the Treaty in the State in which use takes place, obtain registration of the sign used. On the other hand, I feel that a lawful user whose acquired rights need to be preserved, particularly the owner of a registration as a mark of the Olympic symbol or of a sign containing it may oppose, even after entry into force of the Treaty on the territory of a State that has made use of Article 2, the use of the sign or its registration for the same products, even if registration or use were authorized by the IOC.

2. Paragraph (4) of Article 2 contains a provision that has no connection with acquired rights and that could have formed a separate article. It provides that no Contracting State is obliged to prohibit the use of the Olympic symbol in the mass media for the purposes of information on the Olympic movement or its activities. In order to interpret this provision, it is necessary, in my way of thinking, to use both a flexible method of interpretation and a rigid application. Rigor is needed in respect of the terms "mass media" and "purposes of information on the Olympic movement or its activities." Outside these media and outside these purposes, in the strict sense, no use may be tolerated by a Contracting State. What is meant by "mass media" is now common knowledge: radio, television, cable distribution, newspapers and periodicals. A book, a film, a

videodisc or a videocassette are not mass media. Nor does information on the Olympic movement or its activities include investigation into the private life of people involved in the movement or the spreading of rumors on disputes claimed to exist within Olympic bodies, except where this concerns a dissenting vote on a question affecting the movement, for example, whether or not to participate in the Games. At the other extreme, flexibility should doubtlessly be exercised when interpreting the words "Olympic symbol." Paragraph (4) of Article 2 speaks only of the symbol and does not mention a sign containing it; restrictive interpretation would therefore lead to the conclusion that paragraph (4) refers only to the five rings alone but not to an emblem, that is to say, a sign containing them. I do not think that this was intended by the Conference, which wished to enable, for example, the newspapers in a given country to speak of the Olympic movement below the sign of its own NOC emblem, printed at the head of the article. I therefore feel that, in paragraph (4), the Olympic emblem should be considered to be included in the same way as the symbol itself and that interpretation of this provision would not do justice to the wishes of the Diplomatic Conference unless it were both restrictive as regards certain terms and flexible as regards others.

### *Article 3*

After careful study, it becomes evident that this Article no doubt contains the greatest number of interpretation problems of any article in the Treaty. This will be seen in the analysis set forth below.

1. Article 3 is undisputably an optional provision since it stipulates that the obligation placed on the Contracting States by Article 1 "may" be considered as suspended. A Contracting State "may" therefore ignore Article 3 and it is reasonable to suppose that, for the reasons presented below, use would only be made of it in certain exceptional cases.

2. Article 3 provides that a Contracting State may suspend application of Article 1 during any period for which there is no agreement in force between the IOC and the NOC of the said State concerning the conditions under which the IOC will grant authorizations for the use of its symbol in that State and concerning the part of the said NOC in any revenue that the IOC obtains for granting the authorizations.

It thus emerges very clearly from the above-mentioned text that suspension concerns only the relations, or rather the lack of relations, between the IOC and the local NOC and in no way the relations between such NOC and another NOC or an OCOG, which are in fact required by the Olympic Charter to agree with the local NOC on the conditions for the authorization of the

emblems that they grant for the territory of that NOC and concerning the latter's financial share in the revenue obtained from the authorizations granted. This observation is of prime importance in view of the fact, mentioned above at I.3, that the IOC cannot commercially exploit the Olympic symbol and that emblems, that is to say a sign containing the symbol, are created but very sporadically. Nevertheless, this constitutes the sole case to which Article 3 of the Treaty is applicable.

It is sufficient to mention in passing that the words "Olympic symbol" used in Article 3, just as in Article 2(4), should no doubt be understood as also covering a sign containing this symbol (emblem).

3. The wording of Article 3 permits the conclusion that suspension is possible, with all the implications mentioned in the analysis of Article 2, above, as from the time that no overall agreement exists between the IOC and the local NOC as to the conditions for granting authorizations and the NOC's share in IOC revenue. Although it is not difficult to devise a general agreement, it is, on the other hand, almost impossible in practice to fix in advance the conditions that the IOC will impose on a licensee and the share that will accrue to the NOC for the exploitation of a license on its territory. Thus, assuming that the IOC creates a greater number of emblems, to which alone Article 3 is liable to apply, the conditions will necessarily vary depending on the type of exploitation and on the products on which the symbol may be placed, nor can the NOC share stay the same in all cases regardless of whether the IOC emblem is placed on bottles or decorates so-called Olympic coins issued by the State as legal tender on its territory. To take this latter case as an example, the IOC revenue from the territory of a given NOC will depend on a number of factors, in particular the extent of interest in coins on its territory, and it would therefore not seem possible to determine in advance the share of the NOC without committing an injustice, either in its favor or to its detriment. The wording of Article 3 obviously requires a detailed agreement but practice shows that it can only be a basic agreement which the IOC would conclude with an NOC, laying down that in each particular case the NOC share would be fixed by a special agreement.

It is to be hoped that the Contracting States, if they are inclined toward suspension, will not apply too formally the wording of Article 3 and that they will be satisfied with a general agreement guaranteeing a share to the NOC whenever the IOC undertakes on its territory operations consisting of the marketing of an emblem that it has created.

4. One may also ask who will initiate the suspension: will it be decreed *ex officio* or is it not infinitely more likely that this will be at the request of the NOC? Adopting the latter assumption, we must then ask what the respective interests of the IOC and the NOC are as regards a possible suspension.

It is obvious that the IOC has no interest in a suspension since it would prevent it not so much from exploiting one of its emblems, assuming that it creates any, but from restraining the commercial use of the Olympic symbol, that is to say the five rings alone. The interest of the NOC is also a twofold one: obtaining a share from any marketing by the IOC of its emblems on the territory of the NOC concerned and, above all, having the IOC put an end to any use of the Olympic symbol competing with the grant of licenses for the emblem of the NOC concerned. It will be noted that under this analysis on a very definite level, the interests of the IOC and the NOC, far from being contradictory, are one and the same: preventing commercial exploitation of the five rings alone.

Although it is correct to presume that a State will only declare suspension at the request of the NOC and not *ex officio*, it is very likely that no such request will be submitted by its NOC since suspension would open the way to uncontrolled use of the Olympic symbol, with all the commercial implications for the exploitation of that NOC's emblem.

5. A further consideration also appears to speak in favor of a passive attitude on the part of the NOC in respect of suspension. Although it is true—and this would seem incontrovertible—that the NOC wants the IOC to be able to prevent the commercial use of the five rings alone on its territory, it is no less very probable that it would not wish to facilitate through an agreement, either general or specific, concluded with the IOC, the exploitation by the latter on its territory of its potential emblems. Its attitude would therefore probably be negative as regards an agreement with the IOC since it is aware that the profits that it could possibly derive from the proceeds from the IOC's rare emblems are much smaller than the damage that it would suffer if the IOC were not able to restrain use of the Olympic symbol, which constitutes the most serious competition to the marketing of the NOC emblem in question. What would therefore be the final attitude of the NOC that has adopted this line of thinking? It would itself refuse an agreement with the IOC or, through its excessive demands, would make such an agreement impossible, with the result that the non-existence of an agreement between the IOC and the NOC would be due to the latter and exclusively attributable to it. Could therefore such an NOC, after having refused an agreement with the IOC, ask the State to decide suspension of Article 1 of the Treaty and thus bring into being a situation which, in view of the uncontrollable competition from the use of the five rings alone on its territory, causes it financial prejudice, due to the considerable reduction in licensing contracts for its own emblem?

6. The conclusion which seems to emerge from all these considerations therefore appears to be the following: the NOC, which has the possibility of marketing on its territory its own emblem, that is to say a sign con-

taining the Olympic symbol, will be opposed both to the conclusion of an agreement as referred to in Article 3 and to suspension provided for by the same Article. The attitude of the NOC could be held to be paradoxical but, on analysis, it proves economically sound and reasonable. What therefore is the impact of Article 3 in the last resort? We may be permitted to think that this Article is largely academic and that although its aim is to provide financial assistance to the NOC of a Contracting State, the latter would gravely prejudice the NOC if it decided on suspension.

This conclusion of course applies more to the NOCs of States in which the marketing of their NOC emblems is remuneratively advantageous than to those whose NOCs have but a very restricted territory for exploiting their emblem or who have no industry or commerce interested in exploiting it. In the case of these latter States and their NOCs, Article 3 may have a practical effect and lead to agreements under that Article, on condition that such agreements are of a general nature and leave it to individual agreements to lay down the necessary arrangements as to the conditions for the marketing on their territories of foreign articles and products bearing any IOC emblem. In other words, Article 3 has clearly been conceived in the interest of the less industrialized countries and not of those where exploitation of the NOC emblem flourishes.

#### Article 4

Summarizing the content of this Article, one arrives at the view that its provisions simply aim at safeguarding the rules of various economic groupings which govern the free movement of goods and services and which prevail over the other provisions of the Treaty. It seems obvious that the Conference, particularly the representatives of the Member States of the European Communities, had in mind the Treaty of Rome, particularly Titles I (Free movement of goods) and II (Free movement of ... services ...) in Part Two of that instrument.

1. The first question that springs to mind is whether the Nairobi Treaty can in fact be an obstacle to the free movement of goods and services. Theoretically, such could be the case if, pursuant to Article 1, the IOC granted licenses of exploitation in respect of one of its possible emblems for only a part of the European Communities and thus attempted to prevent use of the same emblem in a different part of the territory covered by the Treaty of Rome. However, without referring again to the sporadic nature of IOC emblems, it should not be forgotten that the Community authorities, particularly the Court of Justice, have frequently held that a protected mark must bow to the basic rule of free movement and that it may not constitute an obstacle thereto. From this point of view, Article 4 seems more of a formal clause, at least as far as the European Commu-

nities are concerned, and it is unlikely that its effects will be put into practice.

2. One may also ask whether a license granted by the IOC for the use of its emblem to the manufacturer of a given product may be considered contrary to the Treaty of Rome if the grant is an exclusive one and if the same emblem is refused to the manufacturer of an identical product. In my opinion, this case is not covered by Article 4 since an exclusive license without territorial limit granted to the producer of a given article in no way constitutes an obstacle to the movement of such article nor to that of similar articles not bearing an IOC emblem. As to the question of whether the granting of such a license gives the licensee a dominant position on the market or distorts competition, I feel that the reply would be negative since, to my knowledge, it has never been held that more effective publicity contravened the rules of competition incorporated in the Treaty of Rome.

Once more, therefore, the concession made by Article 4 to this latter Treaty would not seem to affect the provisions of the Nairobi Treaty.

#### Final Clauses

Two of the final clauses are to be highlighted in view of their unusual nature.

1. Whereas the draft submitted to the Nairobi Conference provided that the Convention would be able to bind only the States members of WIPO and/or of the International Union for the Protection of Industrial Property, *Article 5* of the Nairobi Treaty makes membership of the Treaty open not only to the aforementioned States but also to those that are members of the UN or of one of the specialized agencies brought into relation with the UN. The only difference between these two categories of States is that the former may sign the Treaty and then deposit an instrument of ratification of the signature or may accede to it, whereas the States in the second category may only become party to the Nairobi Treaty by depositing an instrument of accession.

2. The other special feature of the final clauses concerns *Article 6* which, contrary to many other international instruments, makes the entry into force of the Treaty dependent on ratification or accession by only three States. At the time of writing this paper, the entry into force of the Treaty would not seem too distant since Kenya has deposited its instrument of ratification and Ethiopia its instrument of accession, thus already making two States.<sup>2</sup>

<sup>2</sup> Since this study was written, Equatorial Guinea deposited its instrument of accession to the Nairobi Treaty on August 25, 1982; the Treaty consequently enters into force on September 25, 1982 (see the relevant notifications under "International Unions," above). In addition, Egypt deposited its instrument of accession to the Treaty on September 1, 1982 (*Editor's note*).

### Conclusion

If it is possible to draw a conclusion from what has been said above, it would be of a twofold nature.

1. The Nairobi Treaty meets an urgent need, not only of the IOC, the NOCs and the OCOGs, but also of the general public whose interest it is not to be misled by the use, or even registration, of signs subsequently affixed to certain products and which, in their mind, constitute a guarantee of quality that has not been afforded to them by the Olympic authorities.

2. The next Olympic year will be 1984 and there is no

need for an in-depth study to assert credibly that the Olympic symbol will be very frequently used in 1984 without the IOC, for lack of legal means, being able to prevent such utilization. The situation will be a different one if by that time the Nairobi Treaty will have been the object of a significant number of ratifications or accessions. The hope that I should like to express in concluding this paper is thus to see the Nairobi Treaty adopted before 1984 by the greatest number of countries, particularly by those in which the high level of industry and commerce means that the risk of utilization of the Olympic symbol in that critical year is most to be feared.

## News from Industrial Property Offices

### EUROPEAN PATENT OFFICE (EPO)

#### Annual Report (1981)\*

##### Introduction

By the end of 1981 the European Patent Office had been in existence for four years. It was a period of rapid growth, with more and more European applications being filed and staff recruited. While further growth can be expected, the Office is clearly approaching the end of its build-up stage and entering the steady state.

As well as implementing the European grant procedure, the Office has been heavily engaged from the start in searching national applications on behalf of certain Contracting States—a task which it took over from the former International Patent Institute (IIB) following the latter's integration into the Office. These searches continued in 1981 and in fact, although many search examiners were recruited, the accumulating backlog of national applications was causing concern towards the end of the year.

However, as the number of European applications increased, the European grant procedure soon came to replace searches of national applications as the Office's main activity. The substantive examination of European applications, like the search, is now well established, and applicants and professional representatives

seem on the whole well satisfied with the quality and standard. In 1981 the opposition stage came into operation: the percentage of European patents opposed was surprisingly lower than expected. The number of appeals, both legal and technical, also remained fairly low.

#### I. European Patent Grant Procedure

##### *Filing of European Applications and Euro-PCT Applications*

During the course of 1981 the trend in the number of European applications filed per month was again upward. Unlike 1980, however, there were marked monthly fluctuations in 1981, the most extreme being the peak of nearly 3,000 applications filed in October, just before the increase in the official fees of the Office on November 1.

The total number of European applications filed in 1981 was 22,428, a 28% increase over the preceding year; together with Euro-PCT applications, the grand total was over 25,000.

The majority of European applications originated from Contracting States, although the proportion (62%) decreased again slightly. However, the number of European applications from Contracting States is approaching its steady state figure, while that from non-Contracting States is still growing, notably from Japan and the USA. Of the Contracting States, the Federal Republic of Germany remained the major contributor (28%).

\* Excerpted from the report issued under the same title.

Applicants once again made full use of the possibility of filing European applications with the national industrial property offices of the Contracting States for transmission to the European Patent Office. The proportion (45%) is almost the same as last year. As regards the languages in which European applications were filed, English (51%) showed a slight increase over the preceding year, and German (35%) and French (12%) corresponding decreases. Both these developments can be attributed to the increasing number of applications from the USA and Japan.

The frequency with which Contracting States were designated in a European application at filing, i.e., in the Request for Grant form, has remained fairly constant since 1979. In 1981 designation fees were paid in respect of, on average, 6.3 of the 10 possible designations per application, taking into account the fact that Switzerland and Liechtenstein may only be designated jointly. In the course of the grant procedure, however, a number of designations lapse due to non-payment of the designation fee or are withdrawn by the applicant, with the result that the average number of designations at grant, for 1981, was 6.1.

As regards the technical fields in which European applications were filed, the three main technical fields of Chemistry/Metallurgy, Mechanics and Electricity/Physics are now more evenly balanced than they were at the beginning. As regards technical trends in inventions covered by European applications, energy production has been a source of considerable activity, especially in connection with nuclear reactors, nuclear power plants and nuclear components. Numerous applications relating to the conversion of solid fuels to liquid or gaseous hydrocarbons have been filed. In voltaic solar energy conversion, there have been noteworthy inventions designed to reduce the cost of these solar-energy systems. In chemistry, there have been steady developments in techniques involving microorganisms or enzymes, e.g., genetic engineering, and in their preparation for medical purposes and agriculture. Activity remains high in technologies concerned with pollution problems, such as the purification of waste gases and liquids in separation processes employing semi-permeable membranes. In electronics, research continues on the scaling down of memory and logic circuits used in a variety of areas as diverse as printing, electronic watches, domestic sewing machines and motor vehicles.

#### *Examination on Filing and Formalities Examination*

European applications, whether filed with the European Patent Office (Munich or The Hague) or with national Offices of Contracting States, are all forwarded to the Receiving Section at The Hague for the examination on filing and formalities examination.

In carrying out these examinations, the Receiving Section, as in previous years, has assisted applicants as far as possible to meet the requirements of the Convention. A small number of applications had, nevertheless, to be rejected. Difficulties which had previously arisen regarding the filing of the request for examination—applicants having misunderstood the double requirement of filing a written request as well as paying the examination fee—were overcome by the middle of the year when the Administrative Council adopted the new Rule 85b EPC, providing a period of grace for filing the request. Further frequently occurring deficiencies in applications were an incorrect presentation of the documents making up the application, particularly those to be subsequently printed and published, questions relating to professional representation, and unclear or imprecise titles of applications. To assist applicants in avoiding these and other formal deficiencies, a revised version of the Request for Grant form was introduced in 1981.

Regarding the formal examination of Euro-PCT applications as they enter the European procedure, the initial difficulties experienced by applicants have now been largely overcome. Problems still occasionally occur, however, in connection with obligatory professional representation and the filing of translations of the Euro-PCT application in an official language of the Office. A special form was issued enumerating the necessary actions to be taken or documents to be filed in order to comply with the European procedure.

#### *Search*

During 1981 a total of 19,865 European applications were searched (a rise of 33% over the preceding year). The vast majority of searches were performed in the branch at The Hague and, of the remainder, 3,566 were performed at the Berlin sub-office and 2,122 by the Austrian Office under an Agreement on the application of Section 1V(2) of the Protocol on Centralisation. The total included 787 Euro-PCT applications on which a supplementary European search report was drawn up (Article 157(2) EPC) prior to substantive examination.

Because of the continuing increase in the stock of applications awaiting search, fewer European search reports were available in time for publication with the European application. In fact, 25% of European search reports had to be published separately after publication of the application, compared with only 11% in 1980. This stock has resulted from what is apparently a temporary cumulation of European and national applications. While examining every means of reducing the backlog to reasonable proportions as early as possible, the Office was wary of the obvious solution of massive recruitment with its possible adverse future consequences. Nevertheless, 62 new search examiners were

recruited in 1981, which, allowing for 17 search examiners transferred to substantive examination in Directorate-General 2, Munich, brought the total number of search examiner staff in The Hague and Berlin to 533.

The documentation collection required to perform the European and other search work comprised 16,500,000 patent documents and extracts from non-patent literature, which are classified according to the Office's internal classification system. This system of classification contains 78,200 sub-divisions, of which 74,300 correspond to the groups of the International Patent Classification with some finer internal sub-divisions. During the course of 1981, 685,000 documents were added to the collection, of which 622,200 were patent documents. To maintain the documentation, 631,200 documents were reclassified. In addition 955,000 abstracts, in English, of Japanese and Russian patent documents are available to the search examiners.

The Office's computer at The Hague provided examiners with family, classification and other information (383,800 consultations) and conducted mechanized searches for about 1,100 applications. These mechanical search systems are currently being converted for interactive searching. The first system, "Laminated products," became operational at the end of 1981. Use was also made of external data banks, with a total of 4,750 consultations by examiners in respect of 3,250 applications.

### *Substantive Examination*

A further 49 substantive examiners were recruited to Directorate-General 2, Munich, in a single batch in April 1981, bringing the total number of examiners to 204. They were organized into 15 Directorates—six chemical, four electrical/physics and five mechanical. As in preceding years, the new recruits were mainly experienced examiners from the national Offices of Contracting States.

The number of applications for which examination was requested continued to rise significantly. Roughly 85% of all European applications currently proceed to examination; in the case of Euro-PCT applications entering the European procedure, examination is nearly always requested because of the coincidence of time limits under the EPC and PCT, although a few applications are subsequently withdrawn by the applicant in the light of the supplementary European search report.

As a result of the rise in the number of requests for examination there has been an increase in the backlog of applications awaiting examination. At the end of the year the interval between the request for examination and the issue of the first communication from the substantive examiner was about nine months on average.

Certain changes in examination practice were made in the course of the year, partly as a result of discussions with interested circles. One important change was that the Office decided in principle to allow patent protection for microorganisms per se. The detailed practice in this field is still under study and further guidance on the Office's position will be published in due course.

Of the applications for which examination was requested, a patent has been granted in about 80% of cases: 20% of the applications were either withdrawn during the course of examination or were rejected by the Examining Division for lack of patentability. Overall therefore, roughly two-thirds of all European applications filed (i.e., excluding Euro-PCT applications) result in the grant of a European patent. This success rate is somewhat higher than in most national proceedings, but is not surprising in view of the fact that 95% of European applications claim priority from an earlier national application.

### *Opposition Proceedings*

1981 saw the start of the European opposition procedure. In the course of the year, 128 oppositions were filed against 110 European patents, that is to say an average of 1.16 oppositions per opposed patent. At the end of 1981, there was a total of 977 granted European patents for which the 9-month time limit for filing an opposition under Article 99 EPC had expired; of these patents, 97 were opposed, representing an opposition rate of about 10%.

This percentage is considerably lower than was expected. It appears that competitors are filing oppositions to European patents only where they believe they have a strong case; in other words, there is no evidence of trivial or vexatious attacks on European patents. At the same time, because of the quality of the European search, it is only in a minority of cases that competitors seem to be able to find further important prior art to form an effective basis for an opposition.

One interesting fact regarding the oppositions filed so far is that they have been mainly in the fields of chemistry and mechanics, with very few occurring in the fields of electricity and physics. However, it is far too early to draw any definite conclusions on the pattern of oppositions.

### *Appeals*

The number of appeals received in 1981 was again lower than expected, although showing a net increase over the preceding year. The assumption that decisions of the Examining Divisions rejecting an application would be appealed in almost all cases during the build-up period turned out to be false; in fact the proportion was only 50%.

One of the legal members of the Boards of Appeal continued in 1981 to act as Chairman of the Internal Appeals Committee of the Office, which hears appeals against decisions of the President of the Office under the Service Regulations for Permanent Employees.

Although the number of appeals was low, the Council decided that the need may arise in the near future to refer important points of law to the Enlarged Board of Appeal. It accordingly set up the Enlarged Board of Appeal as from January 1, 1982, and appointed as permanent members all the present permanent members of the Boards of Appeal, both legal and technical, and as non-permanent members (under Article 169(2) EPC) the present three non-permanent members of the Legal Board of Appeal.

## II. Searching of National Applications on Behalf of Contracting States

During 1981 Directorate-General 1 carried out 27,474 searches in respect of national applications of former Member States of the International Patent Institute (IIB), namely, France, the Netherlands, Switzerland and Turkey. In spite of the increasing number of European applications to be searched, this national search work still represented nearly 55% of the Office's overall search activity.

Although the number of national applications sent for search again decreased slightly compared with the preceding year, the cumulative effect of these and European applications resulted, as already mentioned, in a growing backlog of applications awaiting search. The action of allowing a greater proportion of European search reports to be published after the European application did produce some improvement in the processing time for national applications, but by the end of the year this was once again causing concern and alternative means of reducing the stock were being examined.

The sub-office in Berlin cleared the backlog of German national applications remaining to be searched since the decision in 1980 not to send any further such applications.

## III. European Patent Office as an International Authority under the Patent Cooperation Treaty

In 1981 the European Patent Office was specified as International Searching Authority by the Industrial and Commercial Property Office of Belgium. It also agreed to act as alternative International Searching Authority in respect of international applications filed with the United States Patent and Trademark Office; the specification will take effect in October 1982. The number of international searches carried out in 1981 remained modest, namely 1,067, but showed a slight increase over the preceding year. The Office also drew up 974 inter-

national-type search reports in respect of national applications of the Netherlands and Switzerland.

The Office was also specified in 1981 as International Preliminary Examining Authority by the central industrial property offices of Belgium and Luxembourg. Thirty-two international preliminary examination reports were drawn up during the course of the year.

## IV. Public Information Services

Information about European applications and patents is obtainable from the Information Department in Munich. In 1981 it dealt with several hundred enquiries per month, concerning, for example, information brochures, file inspection and information from the Register of European Patents. The Register may also be accessed by the public direct, either by telephone or via the EURONET data-telecommunications network; in 1981 there were about 100 external subscribers, who altogether consulted the Register 100 times per month on average.

New editions of the "Guide for Applicants" and the European Patent Convention were issued in 1981. In addition, after a great deal of preparatory work in cooperation with the national Offices of Contracting States, a new brochure, entitled "National Law relating to the EPC," was finalized; it contains a synopsis of the regulations and requirements in the Contracting States concerning European patent applications and patents.

## V. Legal Service

### *Professional Representatives*

The transitional period referred to in Article 163(1) EPC came to an end on October 7, 1981. During that period, a person qualified for entry on the list of professional representatives, and thus became entitled to act in patent matters before the European Patent Office, if he satisfied certain requirements, principally that he should be entitled to act in patent matters before the central industrial property office of the Contracting State in which he had his place of business or employment. Altogether, around 4,750 representatives were entered in this way. However, it was also possible, during the transitional period, for exemptions from some applicable requirements to be granted by the President of the Office under certain conditions (Article 163(4)(5) EPC); a total of 104 requests for exemption were received, of which 86 were granted.

Now that the transitional period has ended, the only means whereby nationals of Contracting States can be entered on the list of professional representatives is if they have passed the European Qualifying Examination (Article 134(2)(3) EPC). Special arrangements will apply in respect of signatory States which subsequently accede to the Convention (Article 163(6) EPC).

All those entered on the list of professional representatives are automatically members of the Institute of Professional Representatives. Cooperation between the Office and the Institute continued to be both friendly and fruitful. There are several bodies in which members of the Office and the Institute jointly participate, namely the Examination Board for the European Qualifying Examination with its three examination committees and disciplinary bodies for professional representatives. In May 1981, the Examination Board organized the second European Qualifying Examination; 12 of the 18 candidates were successful.

#### *Legal Service for the Patent Grant Procedure*

In 1981 the Legal Service replied to numerous written and oral enquiries from outside the Office. These enquiries showed there to be an undiminished interest in having any ambiguities in European patent law resolved. However, the practice of publishing legal advice in the Official Journal continued to provide a valuable commentary on principles of general importance and a guide to interpreting the Convention.

While a major feature of the Legal Service's work since the Office started has been to examine points of law in connection with the Receiving Section and formalities examination, it was increasingly consulted, during the year under review, on matters of substantive examination. Its opinion was frequently requested on procedural matters and fundamental points of substantive patent law, for example in interpreting what is meant by "invention" (Article 52(2) EPC) and "priority."

### **VI. External Relations**

#### *Standing Advisory Committee before the European Patent Office*

Regular contacts with representatives of the patent profession and industry in Europe take place in the Standing Advisory Committee before the European Patent Office (SACEPO). Two SACEPO meetings were held in 1981 at which a variety of practical questions were discussed, including improvements to arrangements for deposit accounts, level of inventive step required by the EPO, problems regarding the formulation of claims in European patent applications and publication of the European search report.

#### *International Treaties and Agreements*

As well as carrying out its aforementioned activities under the Patent Cooperation Treaty (PCT), the Office sent representatives to all meetings of the PCT bodies. There were also continuing direct contacts on PCT matters with the International Bureau of WIPO.

As regards protection for microbiological inventions,

two important microorganism depositary institutions in the Contracting States, namely, the "Centraalbureau voor Schimmelcultures" in the Netherlands and the "Deutsche Sammlung von Mikroorganismen" in the Federal Republic of Germany, acquired through the European Patent Organisation the status of international depositary authorities under the Budapest Treaty. Furthermore, the President of the Office recognized, in accordance with Rule 28(5)(b) EPC, a first batch of experts in the field of microbiology to whom samples of a deposited culture may be issued after the publication of the related European patent application (Rule 28 EPC). So far, however, this so-called "expert solution" has been used only to a very limited extent.

#### *Technical Cooperation*

In the field of technical cooperation the Office collaborates to a great extent with WIPO.

In 1981, the Office contributed a further 18 sub-classes (comprising 608,900 reclassified documents) to the CAPRI System (Computerized Administration of Patent Documents Reclassified According to the International Patent Classification), thus bringing the Office's total contribution to 98 sub-classes, comprising about 1,660,000 patent documents.

### **VII. Administrative Council**

In 1981 the number of Contracting States remained at eleven.

The Council held two meetings in 1981, the first under the chairmanship of Mr. G. Vianès (France), whose term of office as chairman expired in October, and the second under his successor, Mr. I.J.G. Davis (United Kingdom). A variety of topics were dealt with during the year, including, apart from those already mentioned, a long-term financial plan, the decentralization of the European Qualifying Examination, amendments to the Service Regulations for Permanent Employees and various problems arising from Auditors' Reports.

The Council also considered the possibilities of using the Office's systematic documentation as a means of providing technical information. It decided to set up a Working Party to look into all aspects of the matter, in particular the manner in which such information could be made available to the public.

In the light of comments made by users of the European system, the Council considered certain problems caused by differences between the various Contracting States' laws or administrative procedures, regarding in particular the transition from the European to the national phase. While being aware that it was not competent to solve these problems, the Council felt that by examining them it might nevertheless contribute to their gradual solution, and therefore agreed to set up a Working Party to study them.

## News Items

### CHINA

*Director General of the Patent Office*

We have been informed that Mr. Huang Kunyi has been appointed Director General of the Patent Office of the People's Republic of China.

### ROMANIA

*Director of the State Office for  
Inventions and Trademarks*

We have been informed that Mr. Ion Marinescu has been appointed Director of the State Office for Inventions and Trademarks.

### UNITED KINGDOM

*Controller of Plant Variety Rights and  
Head of the Seeds Division, Ministry of  
Agriculture, Fisheries and Food*

We have been informed that Mr. F. H. Goodwin has been appointed Controller of Plant Variety Rights and Head of the Seeds Division, Ministry of Agriculture, Fisheries and Food.

## Calendar

### WIPO Meetings

(Not all WIPO meetings are listed. Dates are subject to possible change.)

1982

- September 23 to October 1 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on Planning
- September 23 to October 1 (Geneva) — Permanent Committee on Patent Information (PCPI) — Working Group on Special Questions
- September 27 to 30 (Geneva) — Permanent Committee for Development Cooperation Related to Industrial Property
- October 4 to 8 (Geneva) — Permanent Committee on Patent Information (PCPI) — Ad hoc Working Group on the Revision of the Guide to the IPC
- October 4 to 30 (Geneva) — Revision of the Paris Convention — Diplomatic Conference
- October 25 to 27 (Paris) — Berne Union — Working Group on Copyright Questions Connected with the Use of Works by Persons with Defective Hearing or Sight (convened jointly with Unesco)
- November 8 to 12 (Geneva) — Working Group on Model Contracts for Licensing or Transferring Copyrights (convened jointly with Unesco)
- November 15 to 19 (Berne) — Permanent Committee on Patent Information (PCPI) — Working Group on Search Information — Subgroup on IPC Classes F 01, F 02, H 01, H 03, H 04
- November 22 to 26 (Geneva) — Governing Bodies (WIPO Coordination Committee; Executive Committees of the Paris and Berne Unions)
- November 29 to December 3 (Geneva) — Permanent Committee on Patent Information (PCPI) and PCT Committee for Technical Cooperation (PCT/CTC)
- December 6 to 10 (Geneva) — International Patent Classification (IPC) — Committee of Experts

December 6 to 10 (Paris) — Berne Union and Universal Copyright Convention — Working Group on the Formulation of Guiding Principles Covering the Problems Posed by the Practical Implementation of the Licensing Procedures for Translation and Reproduction under the Copyright Conventions (convened jointly with Unesco)

December 13 to 17 (Paris) — Berne Union, Universal Convention and Rome Convention — Subcommittees of the Executive Committee of the Berne Union, of the Intergovernmental Copyright Committee and of the Intergovernmental Committee of the Rome Convention, respectively, on Copyright and Neighboring Rights Problems in the Field of Cable Television (convened jointly with ILO and Unesco)

### 1983

January 25 to 29 (New Delhi) — Permanent Committee for Development Cooperation Related to Copyright and Neighboring Rights

January 31 to February 2 (New Delhi) — Regional Committee of Experts on the modalities of implementation in Asia of the model provisions for national laws on intellectual property aspects of the protection of expressions of folklore (convened jointly with Unesco)

## UPOV Meetings

### 1982

October 5 to 7 (Cambridge) — Technical Working Party for Ornamental Plants and Forest Trees

October 12 (Geneva) — Consultative Committee

October 13 (Geneva) — Symposium (Genetic Engineering)

October 13 to 15 (Geneva) — Council

November 15 (Geneva) — Information Meeting with International Non-Governmental Organizations

November 16 and 17 (Geneva) — Administrative and Legal Committee

November 18 and 19 (Geneva) — Technical Committee

## Meetings of Other International Organizations Concerned with Industrial Property

### 1982

European Patent Organisation: November 29 to December 3 (Munich) — Administrative Council

Pacific Industrial Property Association: November 3 to 5 (Kobe) — 13th International Congress

Pharmaceutical Trade Marks Group: October 7 and 8 (Osaka) — 25th Group Conference

Union of European Practitioners in Industrial Property: December 3 (Paris) — Fifth Round Table on Industrial Designs

### 1983

Benescience Foundation: April 27 to 29 (Munich) — Conference on Patent Claim Drafting and Interpretation

International Association for the Protection of Industrial Property: May 23 to 27 (Paris) — XXXII Congress