January 1991

Strengthening the Legal Basis of Perestroika: The U.S.S.R. Draft Laws on Inventive Activity

Laura A. Pitta

Follow this and additional works at: http://digitalcommons.law.scu.edu/chtlj

Part of the Law Commons

Recommended Citation


Available at: http://digitalcommons.law.scu.edu/chtlj/vol7/iss2/3
STRENGTHENING THE LEGAL BASIS OF PERESTROIKA: THE U.S.S.R. DRAFT LAWS ON INVENTIVE ACTIVITY

Laura A. Pitta†

I. INTRODUCTION

The U.S.S.R. is undergoing revolutionary change in its government and economy. This drastic decision to replace the entrenched Soviet socialist economic system with a market economy was made out of necessity. Soviet industry and the economy, as well as living standards and innovation, were far behind Western standards. After sixty years of the Soviet socialist experiment, the results clearly indicate that the Soviet Union is nowhere nearer to its goal of a communist utopia than it was just after the revolution in 1917. The choice between stagnation under the Soviet socialist system or difficult but promising growth under a modified Western capitalist system was really no choice at all.

In the past year, a program for transition to a market economy has been developed and submitted to the Supreme Soviet of the U.S.S.R. The program aims to stabilize the national economy and at the same time launch market relations. Part of this plan is composed of strengthening the legal basis for Perestroika. Draft Laws have been published in many areas of legal concern including laws on invention activities. For several years, there has been a general consensus among politicians and scholars in the U.S.S.R. that its

† J.D. Candidate, May 1992 at Santa Clara University School of Law; M.A., June 1988 at University of Chicago; B.S., June 1986 at Cornell University.

1. On May 31, 1991, the Soviet Parliament adopted a newly revised version of Draft Laws on Inventive Activity. The provisions are substantially the same as the draft laws discussed in this article. For the complete version, see Izvestya, June 14, 1991 at 4.

2. Perestroika is the Russian word for “reconstruction.” In the current economic and political environment in the Soviet Union, the word refers to President Mikhail Gorbachev’s program of economic restructuring. Briefly, this program introduces a capitalistic market economy to the present Soviet economic system.


laws on invention activity were inadequate. Soviet inventors while leaders in some areas of technology, are grossly under-represented in the world community. The Draft Law's stated purpose "is directed towards encouraging invention for the purpose of speedy socio-economic development of the country." Soviet patent experts also argue that the new law would help attract Western capital and technology and enable the Soviet Union to make better use of its rich scientific research. The Draft Laws seek to achieve this end by modifying Western, especially American, patent laws which allow greater inventor reward from and control over the invention.

This comment shows the influence which American patent laws have had on the most recent Soviet draft of laws on inventive activity. First, a background history of the development of the present draft under consideration will be reviewed. A brief summary of the old Soviet patent law will also be presented. Then the present draft of the Soviet law on invention will be examined in depth. Finally, the future of the Draft Laws in the present Soviet environment will be addressed, as well as proposals to ease the transition to the new laws.

II. BACKGROUND

As early as 1985, President Mikhail S. Gorbachev supported an overhaul of the Soviet patent system. Because of the drastic economic and political changes, however, this issue did not receive much attention. Recently, the State Committee on Inventions and Discoveries which manages Soviet intellectual property protection, organized a committee to make recommendations. The first draft on inventive activity was published in December of 1988. The most recent draft was published on 7 April 1990.

In an effort to boost the ailing Soviet economy, the U.S.S.R. sought to become a favored trading partner with the United States. Most-favored-nation (MFN) status allows a nation to ship goods to the United States at the lowest tariff imposed for a given good. The MFN status is controlled by the 1974 Jackson-Vanik legislation

which focuses on the emigration policies of the exporting country.\textsuperscript{9} Intellectual property protection is also a factor in the decision of MFN status.

In theory, granting most-favored-nation (MFN) status would boost Soviet imports by cutting U.S. tariffs on them to an average of 6.7%.\textsuperscript{10} The present rate is 34%. With that status, the Soviet Union would then partake of the preferences which most other U.S. trading partners enjoy.\textsuperscript{11}

To further this end and to begin to normalize trade relations between the United States and the Soviet Union, a treaty regarding trade was planned to be signed on June 1, 1990. In anticipation of

\begin{footnotesize}
\begin{enumerate}
\item The Jackson-Vanik amendment conditions MFN status on several factors:

The Jackson-Vanik Amendment requires that any U.S. trade agreement with, and extension of nondiscriminatory tariff treatment or MFN status to, a "nonmarket economy country" be contingent on satisfactory human rights conditions in that country. The general purpose of Jackson-Vanik is "to assure the continued dedication of the United States to fundamental human rights." Human rights conditions in the country are examined not only when the trade agreement is concluded, but also during the course of the agreement, making MFN status conditional from one year to the next.

The Amendment is a successor to a number of provisions in U.S. trade laws that have imposed restrictions on trade with Communist countries from the early 1950s. Because of the inequities that may come about in trade between market and nonmarket economies, Jackson-Vanik imposes requirements for any U.S. trade agreement with a nonmarket economy country. These address such problems as dumping government-subsidized products and the protection of intellectual property. The Amendment is better known, however, for its efforts to bring about change in the nonmarket economy country's human rights' practices and was originally intended to help Soviet Jews who wanted to emigrate to Israel. See Barale, U.S. MFN Renewal for China: The Jackson-Vanik Amendment, 12 E. ASIAN EXEC. REP. No. 6, at 9 (June 15, 1990).

Despite Jackson-Vanik's general purpose, the only criteria it states for evaluating human rights are based on the "right and opportunity to emigrate." Section 402(a) of the Amendment states that the President may not conclude a trade agreement with a nonmarket economy country or extend MFN status to such a country if the President determines that the country:

1. denies its citizens the right or opportunity to emigrate;
2. imposes more than a nominal tax on emigration or on the visas or other documents required for emigration, for any purpose or cause whatsoever; or
3. imposes more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of such citizen's desire to emigrate to the country of his choice." See Jackson-Vanik Amendment § 402(a), 19 U.S.C.S. § 2432 (1990).


11. The MFN status is more symbolic than real for the Soviet Union at present. The Soviet Union exports very little, and is likely to remain little even with the cut in U.S. tariffs. The MFN status is important now to the Soviet Union in two respects. First, it signifies the Soviet Union's willingness to join the world economic community. Second, it could help the Soviet Union obtain much needed foreign banking credits. See Riley, Soviets, U.S. seek Trade Accord, Wash. Times, Feb. 8, 1990, at C1.
\end{enumerate}
\end{footnotesize}
the meeting between President Bush and Soviet President Gorbachev to sign this agreement, the April draft on inventive activity was presented to the United States Trade Representative for comments and suggestions, and more importantly, for consideration as part of the package to obtain MFN trade status with the United States.\footnote{12}

Fast paced negotiations between the U.S. and Soviet Trade Representatives were conducted in the hopes of hammering out many of the “sticking points.” One of the U.S. Representative teams concentrated on negotiations with their Soviet counterparts on an intellectual property agreement to form an integral part of the June treaty. According to a member of the U.S. negotiating team, the goal was to achieve a Soviet patent system similar to the United States proposal to the General Agreement on Tariffs and Trade (GATT) on Trade Related Aspects of Intellectual Property Rights (TRIPs) and recently accepted in negotiations with Uruguay.\footnote{13} These negotiations culminated in the signing of the trade agreement by the two heads of state and one side letter in particular stating the agreement reached regarding intellectual property law.\footnote{14}

The Soviets thus acquired basic U.S. approval for their new system of intellectual property protection. The United States required some modifications to the April Draft Law, and some points were tabled for later negotiations in joint U.S.-Soviet Union working groups on intellectual property. These working groups were established expressly for the purpose of negotiating particular unfinished issues as part of the U.S.-Soviet trade agreement. The Soviets may also consider them to be sources of long-term guidance regarding how to manage a U.S.-style patent system.

The point to remember in the midst of all the enthusiasm for the Westernization of the Soviet intellectual property system is that the laws are a \textit{melange} of the best patent systems of the world including the United States, France, and West Germany, along with

\begin{itemize}
  \item \footnote{12}{Telephone Interview with U.S. Trade Representative (Oct. 28, 1990) [hereinafter Interview]. The Representative requested to remain anonymous.}
  \item \footnote{13}{There was some suggestion that consistency between the Uruguay treaty and the U.S.S.R. treaty was required so that the United States would not appear to give preference to particular nations. If preference were given, future negotiations with other nations regarding intellectual property law might possibly be hindered. \textit{See} Interview, supra note 11.}
  \item \footnote{14}{This trade agreement had not yet been submitted to Congress for ratification as certain emigration policies required by the Jackson-Vanik legislation have not yet become law in the Soviet Union. These measures are required before most favored nation trading status can be granted. Additionally, several senators reported a bipartisan consensus in Congress to require stronger assurances from the Soviet Union about independence for Lithuania and other Baltic states before approving the trade agreement. \textit{See} Pine, supra note 9.}
\end{itemize}
the goals and ideals of the Soviet Union. The end result is a seemingly Western system of laws infused with the carry-over goals of the pre-Perestroika system.

A. *The Old System*

A need for intellectual property protection was recognized in the Soviet Union as early as 1931. The system of protection changed little over the next sixty years.\(^{15}\) The system offered two forms of protection: the patent and the author’s certificate.

Patent protection was available for inventions that met the requirements of novelty and economic utility.\(^{16}\) A grant of a patent gave the patent holder the exclusive right to use the invention for the statutory period of fifteen years. An exception to the exclusive use developed for enterprises which were using the invention prior to the filing date for the patent.\(^{17}\) These enterprises were not required to get permission from the inventor for continued use of the invention.\(^{18}\)

Patent holders also had great limits placed on their exploitation of an invention under the old law. A patent holder could not refuse to assign or license the invention to the State if it was deemed to have social importance. The State could appropriate the invention and pay renumeration. Also, patent holders were prohibited from assigning or licensing their inventions abroad without special approval by the State.

An author’s certificate has similar requirements to that of a patent, however, one essential difference existed: the exclusive right to use the invention is vested in the State rather than the inventor. Any governmental agency or state-owned enterprise in the U.S.S.R. had the right to use the invention protected by author’s certificate without special permission from the inventor. The State did have the duty to renumerate the inventor for use of the protected

---


17. Note that under the American system, a patent holder has the right to exclude others from use of the invention. See 17 U.S.C. § 154 (1988). Although the result of the two expressions is similar—that the inventor has the right to control who uses the invention—the language colors the meaning differently. In the U.S.S.R., the patent gives the inventor the right to use the inventions; in the U.S.A. the patent gives the inventor the right to stop all others from using the invention.

In practice, author’s certificates were most widely used. Before Perestroika, only the State could engage in industrial and commercial activities in the U.S.S.R. An inventor working for a state-owned enterprise had little choice but to assign the invention to the State. Thus, although the law theoretically allowed an inventor to choose whether to apply for a patent or a certificate, eighty percent of all inventions received certificates. The balance of inventions protected by Soviet patents were owned by foreigners. The purpose of the system was primarily the dissemination of information regarding inventions for the betterment of the society. The State appropriated inventions at little cost, distributed the information widely through the State owned enterprises and then implemented them. In theory, industrial growth under this system should be explosive. In practice, however, due to the inefficiency of bureaucracy, the best inventions did not always find their way into production, and inventors were not always encouraged to pursue the most economically advantageous fields of technology.

The draft of new Soviet patent laws attempts to remedy the failing system by adopting western-style laws which implement two important functions in a market economy. Western-style patent laws reward the inventor by expanding the inventor’s rights and allow a more direct market influence on the direction of technological innovation.

III. THE DRAFT OF THE NEW SOVIET PATENT LAWS

A. Basic Requirements

Fundamental to any system of patent protection are provisions regarding the prerequisites of patentability including: standards, eligible inventors, who can own a patent, and what rights a patent grants to an applicant. These fundamental provisions of the Draft Law are examined first while maintaining an eye on the distinctions from the old system and from western patent systems.

The prerequisites for a patent are similar to those under the old

---

19. Although inventors are legally entitled to compensation, the sums rarely exceed a few hundred dollars. See Andrews, supra note 5.
20. See Andrews, supra note 5.
21. The American system has the same underlying goal of the Soviet system: to disseminate new information for the betterment of society. The American system, however, rewards the inventor by granting an exclusive monopoly over the invention for a limited period of time [seventeen years under 17 U.S.C. § 154 (1988)], and allows the marketplace to determine the value of the invention to society. Once the monopoly then is concluded, the invention is available to all who can exploit it.
law. An invention must have: 1) novelty, 2) non-obviousness, 3) industrial applicability. These requirements have been crystalized to harmonize with those of patentability under the European Patent Convention. Novelty is determined from an examination of all available information in the U.S.S.R. and abroad before the date of priority. Non-obviousness is achieved if a specialist does not find the invention obviously resulting from the prior art. The statute also requires that the invention have industrial applicability. These requirements represent little change from the old laws except that they parallel the widely used conventions in the West.

The types of inventions eligible for a patent under the new laws has been expanded. The Draft Laws now protect products and also processes. It specifically extends protection to medical treatment, diagnostic methods and prophylactic treatment previously only protectable by an author’s certificate. In addition, new uses of known devices, microorganisms and pharmaceuticals have joined the list of patentable subject matter.

The Draft Laws also specify certain types of subject matter which are not eligible for patent protection. Of particular interest is the ineligibility of computer programs and algorithms. Under the European Patent Convention these items may be patented. In the United States, computer programs and some algorithms as inventions by themselves are not patentable, however computer programs are eligible for copyright protection. The Soviet Union seems to have chosen copyright protection for computer programs, as well. In the recent negotiations with the United States, protection of computer programs was of great concern. The Soviets agreed to incorporate principles into their legislative proposals on copyright protection which are essentially a synthesis of United States statutory and case law.

The ability for an inventor to become the patent holder is em-

22. Draft Laws, supra note 4, art. 4(1).
23. A grace period similar to Western requirements is granted so that novelty is not lost if the invention is made public by the inventor or a third party, if an application was submitted within twelve months of the date of publication. See Draft Laws, supra note 4, art. 14.
24. The literal translation is “inventive level.”
25. Product patents are more easily enforced than process patents, as it is easier to prove that a product infringes the product patent than to determine the process and prove infringement of the patent process.
27. Draft Laws, supra note 4, art. 4(3).
phasized in the Draft which indicates that inventors should have first choice to reap the rewards of invention. The inventor's rights are freely transferable prior to application for a patent to others, including citizens, enterprises and the State. An inventor or enterprise can also transfer the right to apply for a patent to a foreign person or enterprise if the State does not refuse the demand. The Draft makes an effort to give foreign persons and enterprises equal patent rights with Soviet nationals. There are, however, several glaring inequalities which should be noted. The first is the State's power to refuse a demand by an inventor to have a foreigner apply for a patent on behalf of that inventor. Also, a patent-holder may license to a foreigner subject to the veto power of the State. A patent-holder must make a request to the State before entering such an agreement; if the State does not refuse within three months, the agreement may proceed. Nationals can apply for patents in other countries, however, the State again retains a veto power for that action. Thus, the State retains control over inventions going out of the State, but does not limit the rights of foreigners bringing inventions into the State. Similarly, heirs of the inventor also have the right to apply for a patent. The transferability of rights regarding an invention represents a gradual development of the patent as personal property.

The rights granted by the Draft Laws have come closer to a recognition of personal property in a patent. The laws recognize that the patent holder has not only the exclusive right to use the invention as under the old system, but also the exclusive right to prohibit others from using the invention for the statutory period. Although this seems to embrace the capitalist notion of individual rights in property, the Draft Laws create loopholes which soften the change, and possibly negate it. Article 8 states: “The patent-holder must use the rights provided by the patent without damage to the State and society” (emphasis added), and limits the right to prohibit others from using the invention “in cases contrary to the present Law.” One Soviet scholar suggests that these clauses could under-
mine the purpose of vesting more rights for invention in the individual.\textsuperscript{36} This article can be interpreted as negating all exclusive rights of the individual inventor in favor of free use of the patented invention by all, as it is beneficial to society. Prohibition of use of the invention would deprive society of a possible boon. Thus, no inventor can deprive free use of the invention without detrimentally affecting society's interest and, therefore, contrary to the present law.\textsuperscript{37}

The Chairman of the U.S.S.R. organization on inventions (the State Committee on Inventions and Discoveries) in discussing preliminary versions of the draft, stated:

The proposal to give an inventor an exclusive right to the invention is exactly that to which we can not agree. We live in a socialist State and it is out of the question to establish author's rights in this way.\textsuperscript{38}

While this kind of interpretation may seem extreme, it finds support in the language of the Draft Laws, legislators and writings by scholars.

The stand on state ownership of inventions also lends itself to two contradictory interpretations depending upon the underlying goal chosen—socialism or market economy. The new system eliminates the author's certificate as a form of invention protection. As discussed above, the Draft Laws emphasize individual or enterprise ownership of inventions.

The Draft Laws, however, create a State Patent Fund which would in many ways operate similarly to the author's certificate system. An invention given to the State Patent Fund is open to use by Soviet citizens, enterprises, and state organizations without the necessity of special permission by the inventor. The greatest change from the old system is that Soviet individuals are now able to use the invention, as well as enterprises and the State. The financial incentives for contributing an invention to the State Patent Fund are great. An enterprise which contributes a patented invention to the Fund is exempted from the issuance and maintenance fees of a patent.\textsuperscript{39} Inventors not only are exempted from these fees upon contribution, but also receive some compensation in exchange. The high fees for patenting inventions may perpetuate the old author's

\textsuperscript{36} Mamiofa, supra note 14.
\textsuperscript{37} Mamiofa, supra note 14, at 21.
\textsuperscript{38} Mamiofa, supra note 14, at 21 (quoting Inventor and Rationalization No. 2, at 4 (1988)).
\textsuperscript{39} Draft Laws, supra note 4, art. 23(5).
certificate system if the economy cannot provide incentives for retaining the exclusive right. Thus, the value of patents will be dependent upon the ability of enterprises to exploit patent rights.

B. Deferred Examination Procedure

The Draft Laws adopt deferred examination procedure in determining if a patent should issue for a particular invention. Its purpose is to reduce the number of applications subject to full examination. The systems of deferred examination in West Germany, the Netherlands and Japan have proved successful in conserving the time and effort of the skilled examiners. Unfortunately, the Soviet system of deferred examination as delineated in the Draft Laws may not achieve this goal. The preliminary examination of the application must be performed within one month of the filing date in the Soviet Union. Full examination must be performed within twelve months after the preliminary examination. Extensions for these deadlines are provided if changes are made in the examination or appeals to rejection decisions are made.

Under the Draft Laws, an application is subject to publication by the State if within eighteen months from the date of priority, no decision regarding issuance or rejection has been reached. Much of that eighteen months could be consumed by the slowness of the bureaucratic machine for individuals receiving a priority date outside of the Soviet Union.

As discussed above, temporary legal protection of an invention is only enforceable during the period between application and issuance if a patent actually issues. Therefore, an application may be published before a decision to grant a patent has been reached, and receive no legal protection if it is later rejected. This subjects the examiners to a system of “beat the clock” to determine patentability. This final determination can only be made after a full examination. Thus, most applications will enter the full examination procedure thereby wasting time and valuable resources.

C. Licensing

1. Patent Licensing

Licensing of patents was given great attention in the Draft Laws—perhaps because of the newness of the legal concept to citizens and enterprises other than the State.

Just as the Draft Laws emphasize individual ownership of pat-
ents, so it emphasizes privately negotiated licenses. The parties have the freedom to negotiate whatever provisions they choose including fees and extent of use of the invention. The Draft Laws define three types of licenses. A total license grants a licensee all the rights ensuing from an invention for the term of the agreement, similar to an assignment of an invention in the United States. An exclusive license ensures that the licensee is the only entity who can use the patented invention.

Additionally, the Draft Laws put an interesting spin on the right to prohibit others from use of a patented invention. Article 28, paragraph 3 states that when a patented invention cannot be used without infringing a patent owned by another, the holder of the first patent may demand a simple license from the latter. In the United States, such a patent holder can request a license, but if the request is refused, the first patent holder has no right to use the invention. This is another example of the modification of a Western idea—exclusive private ownership of an invention—to suit Soviet priorities—broad access to all inventions to improve the Soviet society and economy.

2. The Open License

Another type of licensing represents a compromise between contributing a patent to the State Patent Fund and privately negotiated licenses between individuals. Under an open license, the invention is available for use by anyone. Royalties for use of the invention must still be negotiated between the patent-holder and potential licensee. In exchange for the open license, the patent-holder receives a fifty-percent reduction of maintenance fees. It is an interesting method of licensing as many of the provisions which a patent-holder could insist upon to protect the invention and the patent-holder from abuse are forfeited to encourage enterprises to take advantage of inventions and implement them in industry.

3. The Obligatory License

The obligatory license applies only in cases in which use of a patented invention is desired to fulfill a contract with the State. If a patent-holder fails to successfully negotiate a licensing agreement

41. Draft Laws, supra note 4, art. 24(1).
42. Draft Laws, supra note 4, art. 24(2).
43. Draft Laws, supra note 4, art. 24(2).
44. Draft Laws, supra note 4, art. 28(3).
45. Draft Laws, supra note 4, art. 29.
with an enterprise required to fulfill a State contract, the State can demand a license on behalf of the enterprise. The obligatory license sets the limit of use of the invention, the duration of the license and the royalty to the patent-holder. Clearly, there is a large incentive for the patent-holder to negotiate a private license, as better protection can be achieved. Similarly, the enterprise would prefer a private license as the contract could provide for the particular needs of the situation. There is potential for abuse, however, if the obligatory license consistently offers advantages to one party over another. For example, if the obligatory license required low royalties to the inventor in exchange for the entire use of the invention needed to fulfill the government contract, the obligatory license could become the norm rather than the exception to negotiated licenses. The cards could be stacked in such a way so as to give the patent-holder unequal bargaining power.

However, it should be remembered that most of the industrial enterprises are still owned by the State; thus, the State is the greatest if not the only purchaser of many goods. Should the shift to privately owned enterprises be slow or unsuccessful, most patents could be subject to the obligatory license.

Patents owned by foreigners will not be subjected to obligatory licensing. This exemption is reinforced in Article 55(2), which allows joint ventures, international cooperations/organizations to be free of obligatory licensing. This is yet another effort to encourage foreign investment in the U.S.S.R. by exempting foreign inventions from State appropriation.

4. The Compulsory License

If within five years from the date of filing a patent application, a patent-holder fails to license the invention, a third party can request a compulsory license. The State can also purchase a compulsory license if the invention is of "paramount importance to the State." The license is similar to the obligatory license in that it sets the terms of the license should the parties fail to negotiate one by themselves. The compulsory license puts pressure on foreign patent owners especially to negotiate licenses in the Soviet Union.

46. Draft Laws, supra note 4, art. 30(1).
47. The United States has a similar law which in effect obliges patent owners to give licenses to government contractors. See 28 U.S.C. § 1498(a). In the United States, however, freedom of contract is well-established making obligatory licenses less prevalent. Also, the percentage of government contracts as compared with the Soviet Union is far less.
49. Draft Laws, supra note 4, art. 30(3).
This prevents a foreign patent holder from "sitting" on the patent and retaining the exclusive rights of a patent without exploiting the invention in the U.S.S.R.

Although compulsory licensing is expressly permitted under Article 5 of the Paris Convention for the Protection of Industrial Property,50 such licensing was the subject of extensive debate in the spring negotiations of the U.S.S.R. with the United States. The United States representatives were concerned that compulsory licensing would swallow the goal of the Draft Laws to encourage individual control over patents. Provisions severely limiting the situations in which compulsory licenses could be granted and limiting the terms of the rights granted under the compulsory license were suggested.51

According to a U.S. Trade representative participating in the negotiations, the June agreement nearly failed because of the negotiations concerning the compulsory license provision. More time was needed to work out these provisions than was available under the June 1, 1990 deadline. The parties agreed to make compulsory licensing one of the subjects of a joint U.S.-U.S.S.R. working group organized to negotiate the finer points.52

This is apparently an effort by the United States to close some of the loop-holes through which the Soviet Union could revert to a centralized, State-controlled invention system.

D. Enforcement

Enforcement of patent rights is one of the most critical and dramatic areas of change in patent law.53 Without an effective superstructure to enforce patent rights, a patent is worthless.

Violation of a patent includes the manufacture, use, import, offer for sale, sale, and "other introduction into industry"54 of the patented product, patented process or result of the patented invention. Use of the invention prior to the issue of a patent is not considered infringement of the patent.

As mentioned above, the use of an invention prior to application is outside of the protection of the patent. After application and before issuance, the invention is protected by "temporary legal pro-

51. Interview, supra note 11.
52. Interview, supra note 11.
53. Miamofa, supra note 14, at 25.
54. Draft Laws, supra note 4, art. 8(3).
Anyone is entitled to use the invention during this time as long as they pay the patent-holder a royalty at the time of issuance. While this operates as a retroactive license, the patent-holder is at a severe disadvantage to negotiate the royalty, as the third party has already received the benefits of the invention.

After issuance of the patent, the patent-holder has the legal right to obtain an injunction for the infringer's use of the invention and compensation. Within two months of a determination of infringement, a holder of a full or exclusive license may also enforce the patent.

The compensation is in the amount of losses suffered by the patent-holder as a result of the infringement. Profit in excess of the patent-holder's losses are confiscated by the State. It is unclear how much the patent-holder may recover. Certainly the royalty from a negotiated license is contemplated by the clause, but it is unclear if lost opportunities by the patent-holder, profits made by the infringer from the sale of the invention, licenses to other enterprises outside the Soviet Union, etcetera, would go to the patent-holder, the State, or melt into the infringer's pocket.

Fortunately, the new Draft Laws institute a new court system to handle disputes involving inventions.

E. The Courts

The new hierarchy of patent courts at the province, union republic and national level will significantly strengthen the system of patent enforcement in the Soviet Union. The regional patent courts have jurisdiction over disputes concerning appeals from refusal to issue a patent, invalidity of patents, obligatory and compulsory licenses. The existing courts will continue to handle disputes concerning infringement of patents, license agreements and inventorship.

Provisions found in Article 51 of the Draft Laws set out criminal sanctions for fraudulent claiming of authorship, depriving the true inventor of the right of authorship, premature divulging of subject matter of the invention and other violations of inventor's

55. Draft Laws, supra note 4, art. 32.
56. In the United States, a patent can be fully enforced after issuance during the application period. Thus, full patent rights are in a sense retroactive to the date of filing the patent application.
57. Draft Laws, supra note 4, art. 31(2).
rights. Also, misconduct by officials including procrastination and negligence in protecting an inventor’s rights are subject to liability under the laws. These provisions are similar to those under the old patent system and were as dangerous to violators as “paper tigers.” The jurisdiction by the new patent courts will put bite back into these neglected provisions.

The division of Soviet jurisdiction is very similar to the U.S. court system. The division provides impetus to enforce the patent laws, as these specialized patent courts have more expertise in patent law and a more favorable attitude towards its enforcement.

IV. THE EFFECT OF THE DRAFT LAWS ON THE NUMBER OF PATENT APPLICATIONS

As discussed above, the purpose for revamping the Soviet patent laws is to give the patent-holders more rewards for invention and to encourage innovation and implementation in industry. This is to help support the emerging Soviet market economy. The Draft Laws certainly increase the benefits of invention, but they also increase the costs, giving the patent-holder more responsibility. The problem is that the State limits the benefits in such a way that the costs of holding a patent may dominate the decision to obtain patent protection for an invention.

A. The Private Inventor

The private inventor probably bears the greatest burden under the Draft Laws. As in most countries, it is unusual for the private inventor to create important, widely adopted inventions. This is partly due to the lack of independent financing available for private research. Therefore, many innovative ideas will not be reduced to practice simply because of the lack of funds. However, this problem permeates the invention laws of many countries.

In addition, the Soviet system limits the probability of the independent inventor recouping the cost of invention and patent application. The only way (other than starting a new enterprise) to receive profit from the invention is through licensing.

Under the Draft Laws, profits made from a licensed invention are not taxed for five years from the date of the license agreement; however, profits from license agreements are exempt from taxation.

60. Draft Laws, supra note 4, art. 51.
61. Mamiofa, supra note 14, at 25.
62. Draft Laws, supra note 4, art. 35(2).
for the more limited period of three years from the patent issue date. Therefore the inventor can only expect significant profit if a license agreement is established within that limited time frame.

At present, little if any market for licensing inventions exists in the Soviet Union. Enterprises are not accustomed to seeking out inventions for adoption into the industry. As one Soviet scholar explained,

In its contemporary condition, the Soviet economy rejects innovations unless there is a strong pressure for their utilization. Statistics show that only about 30 percent of all registered inventions were used in the U.S.S.R., and about 85 percent of these were used only by one or two enterprises.

It seems unlikely that this custom will change very soon, thereby reducing even more the likelihood of an individual inventor reaping much profit.

However, the Draft Laws do encourage individuals to start new companies or enterprises implementing inventions. Not only are these individuals released from patent fees, but also funds directed towards the creation of the enterprises are tax-exempt. Although it is beyond the scope of this discussion to examine the risks in starting a new company, suffice it to say that great risks involving substantial amounts of money exist. These risks are certainly too great for the average inventor, but the incentives in the Draft Laws may provide the impetus for a determined few.

B. The Soviet Enterprise

The Draft Law provides much more incentive for an enterprise to obtain a patent either jointly with an inventor or under an assignment from an inventor. An enterprise is entitled to retain all of the profit received from either using the invention itself or licensing the invention to another for five years from the date of registration of the invention with the State Register of Invention. Assuredly, a substantial part of the five year period will be consumed by the patent application process, but enough time is available to realize profit. Also, if the enterprise is confident that a patent will issue, it can implement the invention (or license) soon after the registration date, and rely on the retroactive temporary protection discussed

---

63. Draft Laws, supra note 4, art. 35(6).
64. Mamiofa, supra note 14, at 24.
65. Draft Laws, supra note 4, art. 35(5).
66. The December 1988 version of the Draft Laws allowed this tax exemption for only three years.
earlier, thereby expanding its profit margin. Additionally, without a patent, most of this profit must be transferred to the Ministry and the State budget, leaving only about twenty percent of the profits in the enterprise's coffers. Retention of all of the profit for the limited five-year period may be enough incentive to increase the popularity of patents among enterprises dramatically.

The nature of the present Soviet economic system makes exploitation of the patent owned by an enterprise lucrative, but in a different way than capitalist systems. The abundance of State orders which specifies quantity limits the advantages of a patent monopoly—indeed, it is no longer a monopoly. The result is that the patent-holder loses the right to control the availability of the product (invention). This will continue to be a threat to the emerging market economy and the usefulness of patents as long as the State remains the primary consumer of goods in the Soviet Union.

State regulation in the form of price controls also threatens the respectability of the Soviet patent system and limits the availability of profit on a particular invention. Professor Peter Maggs discussed the effects of price controls: the enterprise may be able to use the patent to convince the price control authorities that the new product is truly innovative and thus be allowed to charge a higher price than the controlled price which would otherwise apply. If the price authorities accept a patent as proof that an enterprise is making a new product, the enterprise in effect obtains a permit to raise prices by paying for a patent. As the higher price would still be below the price in a free market (the monopoly price), demand would exceed supply, and the enterprise would make a profit while selling all of its product. “The Soviet approach . . . appears to give rewards merely for convincing bureaucrats, not the market, that a new product is different and better.”

In sum, patents offer enterprises a way to keep profit from inventions, as would be expected, and also possibly reap profits from inventions unlikely to succeed in a free market merely because of the carry-over legislation from the pre-Perestroika era.

C. The Foreign Inventor or Enterprise

Foreign inventors or their assignees have all of the rights and obligations of a Soviet citizen, except that their inventions cannot be made subject to a State order. This is stated in Article 30(1) and

emphasized in Articles 54 and 55. Of great concern was the possibility of all inventions, including those owned by foreign citizens, to be subject to compulsory licensing. This form of licensing is the State’s ability to appropriate an invention “of paramount importance to the State” or forcing a compulsory license under Article 30. Fearing that foreign enterprises or inventors would be, in effect, unprotected under the provision, the U.S. sought to limit this provision as discussed above. Assuming that limitations are enacted following these recommendations, foreign patent-holders will have protection for their inventions as in any other Western country. In addition, limitations as to profits, and the requirements of licensing to a Soviet enterprise will also be enforced.69

D. The Employee Inventor

In most free market economies, the enterprise has an incentive to create an environment in which an inventor feels rewarded and willing to continue to create inventions. This incentive stems from the desire to keep the inventor at the enterprise rather than going elsewhere where the rewards are greater, and to keep the inventor productive. In the United States many of these incentives are negotiated by the employer in the employment contract in exchange for the bulk of the rights to the inventions.

The Draft Laws contain minimum standards for the compensation of the inventor.70 The exact amount of compensation to the inventor varies with regard to the patent-holder. When the State owns the patent through a donation by the inventor to the State-Fund, the inventor is entitled to at least fifteen percent of the profits from the invention. When a Soviet enterprise is the patent-holder, the inventor must negotiate the compensation individually with the enterprise, however minimum compensation must be provided by law. An inventor who holds a patent jointly with an enterprise is entitled to a share of the profits and receipts from licensing the invention over the minimum standard.71

In contrast to the old system, the Draft Law explicitly provides that there shall be no limit on the existing amount of reward to the inventor.72 Previously, an inventor was entitled to a percentage of

69. Article 56 provides that international agreements regarding intellectual property to which the U.S.S.R. is a party are automatically incorporated into Soviet intellectual property law. See Draft Laws, supra note 4, art. 56.
70. Draft Laws, supra note 4, art. 41.
71. Draft Laws, supra note 4, art. 41.
72. Draft Laws, supra note 4, art. 41(3).
the "value of the invention, but limited to a maximum of 20,000
rubles per invention."\textsuperscript{73}

The Draft Laws emphasize rewarding the individual inventor. Not only does the inventor have a right to receive credit for the invention and compensation as written in the laws, but also the State provides "perks"\textsuperscript{74} or incentives to the creator of an important invention. These include housing privileges, pensions and special titles recognized by the State. Their inclusion could be an implicit recognition that individuals will not form the basis of invention activity nor market stimulation. They imply that the monetary rewards from inventions may not be sufficient to encourage technological advancement. In reverting to the rewards under the old system, the Soviet Union may be reinforcing the old ways of centralized ownership of inventions rather than encouraging change to the new system of reward from direct profit from the invention. Thus, while encouraging inventors to work on inventions with potentially large compensations, the laws also encourage trivial invention, since it provides rewards to all inventors regardless of the quality of the invention. In an effort to protect the individual, the Soviet Union may undermine the value of the individual inventor and slow the growth of a healthy economy.

Professor Peter Maggs suggests that compensation to employees for an invention made outside of assigned tasks would depend upon the existence of an employment contract covering the subject.\textsuperscript{75} If the activity is covered by contract, clearly, the minimum compensation provisions of the Draft Laws would be applicable. If it is not covered by contract, an interesting question arises as to who owns the invention, and if the inventor was making illegal use of the enterprise's property to develop the invention.\textsuperscript{76} This is a new area of law to be explored and developed in the Soviet Union in the future.

IV. CONCLUDING REMARKS

This draft of the U.S.S.R. patent laws has many shortcomings

\textsuperscript{73} Maggs, supra note 49, at 287.

\textsuperscript{74} This refers to perquisites: "Emoluments, fringe benefits, or other incidental profits or benefits attaching to an office or position."\textsuperscript{75} BLACK'S LAW DICTIONARY 595 (abr. 5th ed. 1983).

\textsuperscript{75} Maggs, supra note 49, at 288.

\textsuperscript{76} In the United States, the same problem has produced the recognition of the shop-right doctrine. Simply stated, when an employee uses an enterprise's resources to create an invention outside of assigned job tasks, the employee owns the invention, however, the employer is granted a non-exclusive right to use the invention.
largely due to the attempt to accommodate entrenched ways while at the same time trying to steer the bureaucratic mass towards a revolutionary market economy. This author was struck by the pessimism reflected in scholarly articles looking for every possible shortcoming in the laws. In contrast, the U.S. Trade Representatives demonstrated overwhelming optimism regarding the effective protection of inventions under these laws. Their concerns did not lay in the laws, but rather in the political forces which threaten to tear the Soviet Union apart. The fear that these laws, as revolutionary as they are, will not pass in the Supreme Soviet because of the shaky start to a market economy is terribly real. The severe economic strains brought about by the new market policies have brought new voices to the leadership which are willing to revert to the old centralized system to avoid the present difficulties. One U.S. Representative called the Soviet Union a "scary, different environment" from the time of the Spring 1990 negotiations.

Meanwhile, in the United States, little encouragement appears forthcoming regarding the new Draft Laws. The U.S.-U.S.S.R. Trade Agreement of June 1, 1990, is unlikely to be submitted to Congress before Spring 1991. When it is submitted, Congress is unlikely to grant MFN status to relieve some of the economic pressure on Soviet industry without further progress and guarantees regarding emigration policies and the Lithuanian problem.

Should the draft of the Soviet patent laws overcome these purely political hurdles and become law, it may provide protection to inventions which would not only foster economic growth, but also award dignity to Soviet inventors in the world community. The willingness of the United States to establish working groups on intellectual property issues is an opportunity of which the Soviet Union should take full advantage. Not only can the working groups provide an on-going forum for negotiation of intellectual property agreements between the two nations, but they can also play a broader role in guiding the Soviet Union towards a workable and effective invention protection system. The Soviet Union has the opportunity to take advantage of the two hundred years of experience of the United States patent system. This experience includes the application process, the patent court system, enforcement of patents, determination of infringement, screening of patent agents

77. This author may be guilty of the same approach.
78. Interview, supra note 11.
79. The U.S. Patent Act was written and became functional in 1790.
and punishment for ineffective or inaccurate representation during the patent application process. This is only the beginning of the list.

Although the Soviet Union must find its own equilibrium between market and socialist economies, it need not go through the costly and difficult process of trial and error with some of the resources and knowledge of the U.S. Patent system at its disposal.

The success of the Soviet Draft Laws largely depends upon the success of Perestroika itself. Should Perestroika fail, laws regarding inventive activity must revert to a system similar to the old system in which centralized planning determines financing and development for research and the State distributes invention information and licenses use of inventions without permission of the inventor and without charge. Should Perestroika succeed, the present Draft Laws are designed to accommodate the degree of market economy and the degree of socialist economy adopted. The present laws provide a minimum standard for a mixed socialist market economy. Should a greater degree of market influence enter the Soviet economy, the laws will evolve into a system similar to those in other capitalist countries. Ultimately, the choice is in the hands of the Soviet people. They will determine at what point the sacrifices during the transition are not worth the promised fruits of a free-market economy.
APPENDIX

SELECTED PROVISIONS FROM
SOCIALIST REPUBLICS†

Introduction

The present law, in accordance with the constitution of the
U.S.S.R., determines economic organizational and legal grounds for
the invention activities in the U.S.S.R. and is directed towards encour-
gaging invention for the purpose of speedy socioeconomic devel-
opment of the country.

II. Invention and its legal protection.

ARTICLE 4. Applications for invention.

1. Invention is guaranteed legal protection if it is new, has an in-
dustrial level non-obviousness and industrial application.

An invention is new if its essence is unknown with respect to
the prior art. The prior art with respect to the claimed invention is
determined by all available information in the U.S.S.R. and abroad
before the date of priority.

An invention has an inventive level (is non-obvious) if its es-
sence is not evident from the contemporary for a specialist, i.e., if a
specialist does not find prior art it obviously results from the prior
art.

An invention is considered industrially applicable, if it can be
used in industry, agriculture, health service and other branches of
people's industry of the country presently or in the future.

2. The subject of invention can be the following: device, process
(including biotechnological means of treatment, diagnosis and pre-
vention/prophylaxis); substance (including chemical and pharma-
ceutical); microorganisms, cells of plants or animals and also the
application of the previously known device, substance for some new
purpose.

3. No considered inventions are the following scientific theories:
methods of organizations and management of economy, conven-
tional symbols, schedules, rules, methods of carrying out mental op-
erations, algorithms and programs for computers, project and

Translated by Irina Voronova, visiting Professor of Russian language at Santa Clara
University. Edited by Laura A. Pitta.
designs of planning and construction buildings, territory, propositions concerning the exterior appearance of products, and aimed at satisfaction of aesthetic demands.

4. Inventions containing information that can cause damage to the State, if divulged, should be made secret. Soviet of Ministries of the U.S.S.R. determine the way to treat such inventions. The author, enterprise, public organizations, state bodies are obliged to take all the necessary measures to prevent the divulgence of the essence of these inventions.

**ARTICLE 5. Author’s right.**

1. The right of authorship of the invention belongs to the citizen who created this invention.
2. If several citizens took a joint partnership in creating the invention they are all considered coauthors of the invention.
3. Coauthors of the following person is not acknowledged: citizens having no personal contribution in the invention, assisting the inventor only technically, organizationally or financially or helping the inventor with the formal procedures and introducing it in industry.
4. The manner of using the rights of the invention that all the coauthors share is determined between them. The governmental bodies and management of the enterprise, officials must not interfere in the exercise of their rights.
5. The right of authorship is limitless and inalienable personal right.

**ARTICLE 6. Legal protection of invention.**

1. The right of the invention is protected by the State and is certified by a patent.
2. The patent for the invention certifies that the claimed application is an invention, certifies the authorship of the invention, priority of invention and exclusive right of its use.
3. The patent is valid for 20 years from the date of application to the State Committee of Inventions and Discoveries.
4. The scope of legal protection granted by the patent is determined by the formula of the invention. The description and drawings serve for the interpretation of the formula.
5. The patent granted for the manufacturing of a product extends to the product (plant or animal included) produced as a result of the invention.
6. Legal protection is not granted to a solution contradicting pub-
lic interest, principles of humanity and morality and also to the obviously useless ones.

7. Legal protection of discoveries, industrial samples, trade marks, proposals for the improvement of production, new varieties of plants and breeds of animals, obtained by methods of traditional breeding is regulated by special legislation.

**ARTICLE 7.** Patent holder.

1. The patent to invention is granted to the author of the invention; the citizen or juridical person (with the consent thereof) that is mentioned by the author in patent application, submitted to the U.S.S.R. State Register of Inventions; the heir of the author of the invention; U.S.S.R. State Committee for Inventions and Discoveries, if the right to the invention is transferred to the State.

2. The patent to the invention is granted to the enterprise, if there is a special agreement between the worker and the enterprise. This agreement, together with the assignment of right of the receipt of the patent, determines the obligations of an enterprise towards the worker (providing him with the conditions of social and industrial nature necessary for his effective creative activities, payment of compensation, in case of invention, a prize determined by the given law). The agreement is made in regard the invention, created at the enterprise and as a result of solving the concrete tasks proposed to the worker and confirmed by documents of the enterprise. The inventor of such an invention has the right of a plain free license.

**ARTICLE 8.** Exclusive right for the use of the invention.

1. Exclusive right to use the invention belongs to the patent-holder.

2. This exclusive right gives the patent holder the right to use the invention at his discretion and also to prohibit the use of the invention in cases contradicting the present law. No one can use the invention to which a patent was granted without the consent of the patent-holder. The patent holder must use the rights provided by the patent without the damage to the interests of the state and society.

3. The following is considered violation of the rights of the patent-holder: Unsanctioned manufacture, use, import, offer and sales or other introduction into economical sphere of the product created on the basis of the patented invention, and also the use of the process protected by the patent.
**ARTICLE 10.** The right of prior use.

Any citizen or juridical person that created and used a similar invention or made necessary preparations towards it, before the date of inventor's priority and independent from the patent-holder, retaining the right of its future free use.

**ARTICLE 11.** Application on the patent for the invention.

1. The application for the patent for the invention (hereinafter, application for invention) is submitted to the State Committee of Invention and Discoveries by the author of the invention, name of State fund of Inventions including an application in the other enterprise if the conditions of point \#2 of Article 7 of the present law are satisfied by a citizen or a juridical person to whom the author or the enterprise will transfer the right to submit an application or to which it was transferred in accordance with the law of inheritance.

   A citizen of the U.S.S.R. or a Soviet enterprise can transfer the right to submit an application to a foreign citizen or a juridical person, if after an appeal to the State Committee of Inventions and Discoveries, no refusal for this transference follows.

2. If all the conditions described in paragraph \#1 of point \#2 of Article 7 of the present law are met, the administration of the enterprise does not submit an application for the invention within three months from the date in which the author declared his invention, the author has the right to file an application and to receive a patent in his own name.

3. Foreign citizens and persons without citizenship living outside the borders of the U.S.S.R. or foreign juridical persons, permanent residents of foreign countries or their patent attorneys can have all their affairs for the receipt of patents and their maintenance conducted through the U.S.S.R. Chamber of Commerce and other Soviet patent attorneys.

4. The application for an invention must refer to one invention or a group of inventions related to each other in such a way that they form a unitary invention concept. (This is the requirement of unity of the invention).

5. An application for an invention must comprise: Application for the issuance of a patent indicating the author (or coauthors) of the invention and the claimant and also the indication of their place of residence; description of invention; claims of the invention fully based on the description; drawings and other materials helping to
explain the essence of the invention, if necessary; an abstract; documents stating payment of the fee.

The documents of the application are submitted in Russian or other language. If the documents of the application are written in a language other than Russian, their Russian translation is submitted.

**ARTICLE 12.** The transfer of the right to submit an application, assignments of a patent and rights ensuing from the patent.

The right to submit an application for an invention, the patent and the right to use the invention granted from a patent can be transferred by an agreement to a citizen or a juridical person. An agreement for reassignment of a patent or granting a license is registered by the State Committee of Inventions and Discoveries, without which it is considered invalid.

**ARTICLE 13.** Priority of invention.

1. Priority of invention can be established by the date of filing the first application in a foreign country that is member of Paris Convention on the Industrial Property Protection (conventional priority), if the claim for invention was submitted to the State Committee for Inventions and Discoveries within 12 months of the aforementioned date.

   If due to circumstances beyond the control of the applicant, the application with a request for conventional priority could not be submitted within the above period, the period can be extended by 2 months, but not longer.

   The applicant, wishing to use the right of conventional priority, must so indicate when filing an application for invention or within 2 months from the date of filing the application. He must also submit all the necessary documents, confirming such a claim no later then 3 months from the date of filing the application to the State Committee of Inventions and Discoveries.

**ARTICLE 15.** Publication of the claim for the invention.

1. Publication of information about the application for invention including invention claims are done in an official bulletin of State Committee after 18 months from the date of priority. With the author’s request, the publication of information about an application can be earlier.

   After publication any person can examine materials of the ap-
application. Information about an application is not published if before the end of the period of publication, a decision has been made to grant a patent or if the claim was withdrawn by the applicant. Publication about an application for invention is not made if such publication may cause damage to the interests of the State.

2. The author of the invention has the right to be mentioned in the information published about an application for invention, except when the author and the applicant is one and the same person.

**ARTICLE 17.** Preliminary examination by experts of the application for invention.

1. Preliminary examination by experts of the application is carried out within one month from its filing in the State Committee of Invention and Discoveries.

2. During the preliminary examination, the necessary documentation is checked. The question of whether the application refers to objects protected by the State is resolved.

   If necessary, the applicant may be asked to introduce specifications into the claim within two months of filing. In this case the time of examination of experts is naturally prolonged. If the necessary specifications have not been introduced in due time and also the documentation has not been submitted, the claim is considered rejected. The claimant is informed about it.

3. In case of the application for invention being accepted for consideration, the applicant is informed of the priority date. Temporary legal protection is granted to the claimed invention in the State Register of Inventions and Discoveries before a patent issues. Temporary protection is not considered valid if the decision to decline an application and reject a patent has been reached.

4. If the claimant does not agree with the decision to reject the application, he is allowed an appeal to the State Committee of Inventions and Discoveries within two months from the date of the decision.

**ARTICLE 23.** Fees.

1. Fees are taken for the application for invention, examination of experts, issuance, and for any other actions connected with the patent. Testing of the actions, amounts and periods of payments, and also grounds for releasing from fees, reducing their amounts or returning them is determined by the U.S.S.R. Supreme Soviet.

2. Fees are paid by the applicant, patent-holder, and also by any
citizen or juridical person interested in taking the actions, presupposed by point #1 of the present Article 23.

3. By agreement with the inventors, fees can be wholly or partially paid by enterprise and citizens.

4. Fees are not taken when the author submits an application requesting issuance to the U.S.S.R. State Fund of Inventions.

If the patent belonging to the inventor is transferred to the State Fund of Inventions, expenses of the inventor connected with payment of fees for performance of juridical actions are compensated wholly by the State Fund of Invention.

5. If the patent is granted to the U.S.S.R. State Fund of Inventions, fees for its issuance maintenance and for the performance of juridical actions are waived.

ARTICLE 25. Patenting of inventions in foreign countries.


2. Prior to the filing of an application for invention in foreign countries, the applicant must file an application for this invention in the U.S.S.R. and inform the State Committee of Inventions and Discoveries of his intention to patent the invention in foreign countries. If no refusal is issued within three months from the filing of the aforementioned information, the application can be submitted to foreign countries.

The State Committee for Inventions and Discoveries can if necessary allow patenting an invention in foreign countries before an application has been submitted in the U.S.S.R.

3. The applicant is responsible for all the expenses in foreign countries.

U.S.S.R. Bank can give credit to pay these expenses. Expenses for patenting can be carried out by enterprises, ministries or other state committees or public organization that are interested in patenting.

III. Economic mechanism of using inventions in industry.

Economic grounds for using invention in industry are the following: recognition of a patent for invention and products issuing from it; extending self-accounting relations to the sphere of invention activity with the view of increasing mutual interest of the inventor's enterprises and society in the use of inventions in industry.
ARTICLE 27. Use of the invention in industry.

1. Introduction of the product resulting from an invention in industry or the use of the process protected by patent is considered the use of the invention.

The product is considered manufactured and the process used if every feature included in an independent claim of the patent or similar feature is included in it.

2. Relations between coauthors of the invention to which the patent belongs to all, are determined by an agreement between them. In the absence of such an agreement, each of the coauthors is free to use the invention in his own discretion. He cannot, however, get a total or exclusive license or yield a patent by himself.

3. The use if the invention of the patent granted to the U.S.S.R. State Fund of Inventions may be by the citizens of the U.S.S.R. and Soviet enterprises on the basis of an agreement made between them.

4. A citizen of the U.S.S.R., a Soviet enterprise or the U.S.S.R. State Fund of Inventions being the owner of a patent on an invention can reassign the patent to foreign citizens of juridical persons or transfer the right to use the invention to foreign citizens or juridical persons if within 3 months from the application to that effect, the State Committee on Inventions and Discoveries does not refuse the aforementioned release or transfer.

ARTICLE 28. The Licensed Agreement.

1. In accordance with the licensed agreement, a patent-holder assumes the responsibility to transfer the right to use a patented invention to another person and the latter assumes the obligation to pay to the patent-holder all the necessary fees and to fulfill all other obligations provided in the agreement.

The licensed agreement is made in the form of a full, exclusive or simple license. The means of the fund of the industrial development, development of the science and technology fund of analogous nature, can serve as payment if a State enterprise acts as a licensee.

If the invention is used in scientific technology and products are manufactured by the enterprise patent-holder for a customer, the right to use the invention is transferred to the customer in a licensed basis.

2. Under total license, the licensee receives all the property rights ensuing from the patent for the duration of the agreement; under an exclusive license—exclusive right to use the invention within the limits formulated in the agreement with the right reserved by the licensor to use the invention in the part not transferred to the licen-
sor; under simple license—the right to use the invention in his own production within the limits determined by the agreement.

3. If the patent-holder cannot use the invention because some other invention patents by another citizen or juridical person is used in it, he has the right to demand a simple license from the latter for his invention.

**ARTICLE 29. Open License.**

The patent-holder can submit an application to the State Committee of Inventions and Discoveries for official publishing of a declaration granting the right to use the invention to any person (open license); in this case, fees for maintaining the patent are reduced by 50% from the date of publishing this declaration.

The person who expressed his wish to use the above-mentioned invention must make an agreement with the patent-holder about payments.

**ARTICLE 30. Obligatory and compulsory license.**

Compulsory redemption of the patent.

1. If the patent-holder refuses to make an agreement for using the invention with the enterprise that wants to use it to fulfill a State order, the U.S.S.R. State Committee on Science and Technology can adopt a decision granting this enterprise an obligatory license indicating limits of using the invention and amount duration and order of the fees.

The above-mentioned procedure cannot be applied to patent-holders who are foreign citizens or juridical persons.

2. If the use of the invention on U.S.S.R. territory is not used properly within 5 years from the date of issue and if there is no possibility to reach a license agreement with the patent-holder, the person wishing to use the invention can apply to the patent court for a compulsory license with the limits of use, amount, duration and procedure of paying fees.

3. If the invention is of paramount importance to the State, and if there is no possibility to reach an agreement with the patent-holder, the U.S.S.R. Supreme Soviet can decide to compulsorily buy the patent with simultaneous payment to the patent-holder of monetary compensation.

**ARTICLE 31. Property responsibility for violation of the patent.**

1. Any citizen or juridical person using a patented invention
which is in contradiction to the present law is considered in violation of the patent.

2. The violation of a patent must be stopped and the patent-holder's losses as a result of this violation compensated.

Profit which exceeds these losses is confiscated into the State budget. The claims for the patent's violation can be also made by the owner of a full or exclusive license if the patent-holder within 2 months from determining the fact of violation of the patent has not taken any measures against the violator.

**ARTICLE 32.** The use of the claimed invention during its temporary legal protection.

1. During temporary legal protection, the applicant has the right to use the claimed invention if this use does not violate the rights ensuing from the patent when issued.
2. A citizen or a juridical person using the claimed invention during its temporary legal protection should pay monetary compensation to the patent-holder after the latter is granted the patent. The amount of money is determined by the parties.

**ARTICLE 35.** Stimulation of the use of the invention by the State.

1. Profit and profit in hard currency that the enterprise receives from the use of the invention in its own production process and the profit it receives from sale of licenses is not taxed within 5 years from the date the invention was entered into the U.S.S.R. State Register of Inventions.
2. Profit and currency received by the enterprise from the use of the invention as a result of purchasing a license is not taxed within 5 years from the date of making a license agreement.
3. On the U.S.S.R. Supreme Soviet's decision, the time indicated in points #1 and #2 of this article (Article 35) can be prolonged for inventions that are important to industry.
4. The funds remaining at the enterprise's disposal as a result of privileged taxes indicated in points #1 and #2 of this article (Article 35), are spent on modernizing the equipment of the enterprise, social security of its workers, and stimulating further inventive activity.

The above funds minus the sums paid to the inventor and persons helping in the invention's creation and application, and payments to the U.S.S.R. State Fund of Inventions, are allocated to the
development of science and technology, social security and other analogous funds.

5. A new enterprise or new industry which is founded especially for manufacturing new technology based on the patented invention does not pay taxes for 5 years from the date of its first operation.

Funds directed towards creation of such an enterprise of new industry by other enterprises or by people of the U.S.S.R. that are interested in such an enterprise, are released from taxes.

6. Economy of allocations that are a result of using the invention and also profits from the licensed agreements remain at the budget organization's disposal for 3 years from the date of entering the invention in the U.S.S.R. State Register of Inventions. These means are directed towards encouraging invention activity.

7. Enterprises using the invention or the carrying out of preparations for the industry for its use have the right to privileges credits at the banks.

**ARTICLE 40. U.S.S.R. State Fund of Invention.**

U.S.S.R. State Fund of Invention exercises rights and responsibilities of patent-holders concerning inventions which are transferred exclusively to the State.

U.S.S.R. State Fund of Invention promotes the development of invention in the country by financing the creation of inventions in the priority fields of science and technology, carries out educational programs in the field of inventive creativity and patenting, offers inventors assistance in organizing experiments.

U.S.S.R. State Fund of Invention performs its activity with money from agreements with Soviet citizens and enterprises in the amount of not less than sixteen percent of the annual income from the use of the invention for those inventions patented by U.S.S.R. State Fund of Invention, foreign citizens or juridical persons; voluntary contributions of enterprises and citizens and also resources of the State budget.

Profits of enterprises and citizens derived as dues to the State Fund of Invention and Discoveries are not taxed.

U.S.S.R. State Fund of Invention performs its activity on the basis of regulations confirmed by the U.S.S.R. Council of Ministries.

**ARTICLE 41.** Reward for the use of invention to the inventor who is not a patent-holder.

1. Reward to the author for the use of invention, the patent
which is granted to Soviet enterprise is paid by the enterprise. If the application for issuing patent is in the name of several enterprises, the reward to the author is paid by each of the enterprises that uses the invention (if there is nothing, contradicting it in the agreement).

2. Reward to the author of the invention, the patent of which is granted to the U.S.S.R. State Fund of Invention and Discoveries, is paid by the State Fund in the amount not less than fifteen percent of the annual income (of enterprises share of income), received by the enterprises and citizens from the use of invention, annual profits from sales of license to the foreign citizens and juridical persons.

3. Reward for the use of invention during the patent's operation is paid to the author in the amount of not less than fifteen percent of income (respective share of profit income) annually received by the enterprise from the use of invention and also in the amount of not less than fifteen percent of the income from the selling of license without limits of the maximum amount of reward. The amount of percent is determined by the enterprise with the author's consent in an agreement.

4. Reward for the use of the invention, the effect of which is not expressed in the form of profit or income is paid by the enterprise in the amount of not less than fifteen percent of the share of the product's costs, proportional to the invention.

5. The reward is paid not later than three months with the lapse of the year within which the invention was used and not less than 3 months before profits from the selling of a license were received.

6. When a patent is granted to the Soviet enterprise or the U.S.S.R. State Fund of Invention and Discoveries, the sale of the invention in foreign countries, sale of licenses and export of products abroad, can be paid in foreign currency, including the author's reward.

7. The author of invention who assigned all rights to the invention to an enterprise, is paid a reward by the patent-holder within 3 months before the patent issued. The sum of this reward should be no less than an average month's salary of this enterprise.

**ARTICLE 42.** Responsibility for the late payment of the reward.

For the delay in payment of the reward, the enterprise responsible for it pays the author .04% of the amount for each day delayed.
ARTICLE 48. Inheriting the inventor's rights.

The right to submit a patent application for invention, an exclusive right for the use of the invention and also the right for reward and profits from the use of invention, can be inherited.

V. Protection of inventor and patent-holder's rights.

ARTICLE 49. Official bodies considering disputes regarding invention activity.

Disputes regarding invention activity are considered by people's courts, regional city courts, the courts of autonomous republics by the U.S.S.R. Supreme Court and the U.S.S.R. Patent Court.

Solving of conflicts connected with invention activity between enterprises is performed by the bodies of the State Arbitration.

The disputes regarding the exercise of the inventor's rights are considered according to the regulations applicable to labor conflicts.

ARTICLE 50. Organization and jurisdiction of courts considering arguments connected with invention activity.

1. People's courts, regional, city, autonomous republic courts, U.S.S.R. Supreme Court, have jurisdiction over all disputes regarding invention activity with the exception of disputes that are in the jurisdiction of the U.S.S.R. Patent Court.

Within the jurisdiction of the above mentioned courts, in particular are the disputes regarding:

- authorship (coauthorship) for the invention;
- determining the patent-owner;
- violation of exclusive right for using the invention and other property rights of a patent-owner connected with the patent for the invention;
- monetary compensation for the use of invention;
- the right of previous use.

2. The Patent U.S.S.R. Court considers the following categories of disputes:

- refusal to issue a patent for invention by the Appeal Council;
- considering a granted patent invalid partially or totally;
- providing obligatory or compulsory licenses and amount of payments for such licenses;
- the amount of compensation when compulsorily buying a license.
- refusal to transfer the right to use the patent invention by the foreign juridical persons.

Additionally, the U.S.S.R. Patent Court considers cases regarding changing the inventors of an issued patent and also cases regarding the grant of a patent as indicated in point #1 of Article 6 of this present law.


4. The chairman, assistant chairmen, members of Presidium and members of Patent Court Board are elected by the U.S.S.R. Supreme Soviet for ten years.

**ARTICLE 51.** Respectability for violation of the inventor's rights.

Claiming faked authorship, permission towards coauthorship, divulging of the essence of invention before the application is published without the author's consent, can be prosecuted in accordance with the existing law.

**ARTICLE 54.** The rights of foreign citizens, persons without citizenship and foreign juridical persons.

Foreign persons, persons without citizenship and foreign juridical persons, exercise the rights expressed in the present Law of Invention equally with the citizens and juridical persons of the U.S.S.R. unless otherwise provided by the present law or by other acts of present legislation.

**ARTICLE 55.** The rights of the joint ventures, international cooperation and organization.

1. The provisions of the present law are applicable to joint ventures, international cooperations and organizations created on the U.S.S.R. territory with the participation of Soviet enterprises and foreign enterprises and firms.

2. In regard to joint ventures, international cooperations and organizations, obligatory licenses, presupposed by point #1 of Article 30 of the present law are not applicable.

3. Patenting of inventions created by joint ventures in international cooperations and enterprises and also organizations of inven-
tion activity by the above enterprises abroad, is carried out in accordance with their chartering documents.

**ARTICLE 56. International agreements.**

If other rules than those in the U.S.S.R. Legislative of Invention are set in an international agreement, then the rules of international agreement shall apply.