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LEGAL ASPECTS OF INTERNATIONAL TRANSFER OF TECHNOLOGY

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OF INTERNATIONAL TRANSFER
OF TECHNOLOGY

by

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to my Russian and American parents,
who taught me excellency and made my dreams come true,

to all my fellow LL.M. and American friends and colleagues
who made learning fun and challenging experience.

and

to Sylvie, who showed me what the real friendship is all about.
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INTRODUCTION

For many years, capital, in the form of machinery, land, buildings, and other assets, and labor, in the form of human resources measured on both a quantitative and qualitative basis, were perceived to be the most important factors of production in any economic analysis of a specific business enterprise. However, particularly in light of the globalization of business activity in the last quarter century, it is now clear that knowledge, creativity, and innovation moved to the forefront of business strategy for both large and small enterprises around the world.¹

At the outset, we should refer to this third factor as “technology “or “proprietary information “that has competitive significance.² The use of each of these terms connotes tangible and identifiable assets that can be used by their owner and, like any other assets, are susceptible to obsolescence, misappropriation and duplication. However, the legal framework that has been built to contain, define, and allocate ownership and control of this type of information, in the form of patents, trademarks, copyrights, and trade secrets, provides an owner with something far different from a set of property rights. Instead, these technology and information rights provide a tool that may allow the owner, which can be a domestic or foreign business enterprise, to forge and maintain competitive

¹Alan S. Gutterman, A Legal Due Diligence Framework For Inbound Transfer of Foreign Technology Rights, 24 Int’l Law. 976 (1990)
advantage based, in part, on its ability to use, and prevent others from using, ideas and
innovations meeting the requirements of specified laws throughout the world.\(^3\)

For any international law practitioner issues relating to technology and proprietary
information can arise in a number of different situations. For example, transactions
involving foreign distribution and sales rights relating to domestic products are a
common part of the day-to-day practice of anyone engaged in the multinational business
arena. Many of those transactions involve a contractual agreement in the form of a
license, which is intended to transfer to the licensee the technology and related
information, and the legal rights therewith, necessary to complete successfully the
objective of the transaction: the distribution and sale of the domestic product at
satisfactory levels in the foreign market\(^4\).

The issues surrounding international technology transfers are complex, and
depending upon the structure of the relationship, can involve a myriad of considerations
relating not only to the technology rights themselves, but also to the corporate, tax, labor,
and antitrust issues raised by regulators on both sides of the transnational border.\(^5\)
Clearly, each of these substantive areas needs to be addressed in the course of any


\(^3\)U.S. Int’l Trade Comm’n, Pub. NO. 2065. Foreign Protection of Intellectual Property Rights and
The Effect on U.S. Industry and Trade (Feb.1988)

Comp. L. 449 (1981)

\(^5\)Engel & Radcliff, Financing of High Technology Companies: Intellectual Property Assets as
Collateral, in 1987 Licensing Law Handbook : Computer Software Distribution and Acquisition
Issues 14-67 (1987)
transaction. In my work however I will try to focus only on some of the issues raised in connection with technology rights and the basic parties to the transfer of technology transaction.
Chapter I

OBJECTIVES AND PRINCIPALS FOR CONTROL
OF INTERNATIONAL TRANSFER OF TECHNOLOGY

A. INTERNATIONAL OBJECTIVES

Despite the importance of technology, technology transfer is limited by various laws imposed by the countries, not to mention the attempts to control the technology transfer universally.6

Among the objectives for controlling the flow of technology the proposed draft of UNCTAD of International Code of Conduct on the Transfer of Technology, particularly outlined the following:

1. the establishment of general and equitable standards to base the relationship among the parties to transfer of technology transactions;
2. promotion of mutual confidence;
3. facilitation of the increase of international flow of technological information;
4. specification of restrictive practices from which parties to technology transfer transactions shall refrain;

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6Joan I. Farer & Lauren W. Falk, Transfer of Technology Between the United States and Less Developed Countries, 16 Law/Technology 3, 10 (1983) (citing Martin Feinrider, UNCTAD Transfer of Technology Code Negotiation: West and East Against the Third World, 30 Buff. L.
5. facilitation of formulation, adoption and implementation of national policies on the subject of transfers of technology.\footnote{7}

A number of scholars, such as, Mark Joelson, discussed the various purposes for the regulation of the transfer of technology. In their view the most important is to avoid practices which restrain trade and adversely affect the international flow of technology, particularly in case such practices may hinder the economic and technological development of acquiring countries.\footnote{8} The list of practices that are commonly understood to be restrictive include the following\footnote{9}:

1. \textit{Grant-Back Provisions} require the acquiring party to transfer or grant back to the supplying party, or to any enterprise designated by the supplying party, improvements arising from the acquired technology on an exclusive basis without consideration.\footnote{10}

2. \textit{Exclusive Dealing} provisions are restrictions on the freedom of the acquiring party to enter into sales, representation or manufacturing agreements relating to similar or competing technologies, when such restrictions are not needed for achievement of legitimate interest.\footnote{11}

\footnote{Rev. 753, 757 (1981))}

\footnote{19 I. L. M. 773, 5 (1985)}


\footnote{9Mark R. Joelson, United States Law and the Proposed Code of Conduct on the Transfer of Technology, 23 Antitrust Bulletin 835 (1978)}

\footnote{10 Id at 837}

\footnote{11UNIDO, Case-Studies in the Acquisition of Technology 48-49 (1984)}
3. *Price Fixing* occurs when there is a situation of unjustifiably imposing regulations of prices to be charged by supplying party acquiring party to the except for subcontracting and manufacturing agreements.\(^\text{12}\)

4. *Exclusive Sales or Representation Agreements* require the acquiring party to grant exclusive sales or representation rights to the supplying party except for subcontracting and manufacturing agreements.\(^\text{13}\)

5. *Patent Pool on Cross-Licensing Agreements and other Arrangements* are restrictions on territories, quantities, prices, customers or markets arising out of patent pool or cross-licensing agreements or other international transfer of technology interchange arrangements among technology suppliers which limit access to new technological developments.\(^\text{14}\)

However it is essential to realize that while the application of some of these practices can constitute trade restrictions, the arrangements themselves can be very beneficial for the parties involved. For example cross-licensing agreements very often permit the contracting parties to avoid the situations when the patent obtained for the certain technology in the same field by one side is being blocked by the patent owned by the other party, which prevents both of them from enjoying the rights of the patent holder.\(^\text{15}\)

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\(^\text{12}\)Id at 53

\(^\text{13}\)Id at 56

\(^\text{14}\)Id at 60

\(^\text{15}\)See Daniel Todd & James A. Simpson, The Appropriate Technology Question in a Regional
Essentially the purpose of setting international regulations in the transfer of technology field is to ensure the existence of the guidelines for the national government to follow as well as the assurance of existence of the balance between the countries that produce the high developed know-how and there for have the right to benefit from the investment in the intellectual property field, and the countries that although economically can not afford to invest in to the development of the latest know how would like to benefit from it on the equitable basis.

B. NATIONAL POLICIES IN REGULATION OF TRANSFER OF TECHNOLOGY TRANSACTIONS

The regulation and the protection of the transfer of technology on the national level is considered to be the most efficient way of ensuring of the interests of the local exporter regardless of whether it is governmental entity that is willing to be involved in the international transfer of technology transaction or any other private legal person.\(^{16}\)

In adopting the changes in laws, regulations and rules with respect to the transfer of technology on the national level, the main objectives for the state should be first, consistency with its international obligations and second, promotion of a favorable and beneficial climate for such kinds of the transactions.

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Context, 18 Growth & Change 46 (1983)

\(^{16}\)See Howard Pack & Larry Westphal, Industrial Strategy and Technological Change: Theory vs. Reality, 22 J. Dev. Econ. 1029-64 (1986)
In establishing their internal policies, states naturally take into account their local conditions, the nature of the technology and the scope of the undertaking. Besides setting the provisions for the regulation in the transaction itself national regulation is the second best instrument for controlling the international flow of technology. There are three basic ways in which a government can act to control the flow of technology: finance, technical means and in determination of organizational forms and mechanisms. None of these ways is usually sufficient and in any case they often complement each other in a different aspects.  

The use of financial means18 to control the flow of technology may take any one or combination of currency regulations of foreign exchange payments; conditions of domestic credit and financing facilities; establishment of tax treatment and pricing policies.

Technical means19 for the control of the technology flow include determining technology specifications and standards for the various components of the transfer of technology transactions and their payments and require use of local and imported components.

A number of forms and mechanisms exist for use in controlling the flow of technology, including the following20:

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17 Id at 1053  
18 Id at 1036  
19 Id at 1052  
20 Id at 1062
a. evaluation, negotiation, and registration of transfer of technology transactions;

b. determination of terms, conditions, duration of transfer of technology transactions;

c. monitoring the incidents of loss of ownership and/or control of domestic acquiring enterprises;

d. regulation of foreign collaboration agreements and agreements that can displace national enterprises from the domestic market;

e. determination of legal the effect of transactions which are not in conformity with national laws, regulations and administrative decisions on the transfer of technology

These measures and practices adopted by the states should be applied fairly and equitably on the same basis to all the parties to the transaction in accordance with established principles. In addition, all laws and regulations should be clearly defined and publicly available.

CHAPTER II
DEFINITIONS AND SCOPE OF APPLICATION
OF THE INTERNATIONAL TRANSFER OF TECHNOLOGY TRANSACTION

A. "TRANSFER OF TECHNOLOGY"

Technology is traditionally understood as being "the fruit of applied science". A more contemporary definition, however, suggests that technology is "the constitutive result of intellectual activity in both basic and applied science." There is no agreement on exactly what constitutes technology or how technology transfer should be defined. The United Nations, in a document designed to help countries plan their technological development, has adopted a very broad view of technology, referring to it as "a combination of equipment and knowledge". "Equipment comprises all kinds of tools, vehicles, machinery, buildings and what is known as process technology. Technological knowledge covers all kinds of skills ... process and product know-how, institutional and 

22 Linn Williams, Transfer of Technology in the International Marketplace 45 (1992)
23 Id at 51
organizational know-how, and information about equipment and knowledge...”  

Some scholars have employed very broad definition of technology as anything “patented and unpatented, (that relates) to a product, production, process and facilitates design, and management technique. It includes franchise methodology, conventional technology, know-how, and high technology”.  

Other commentators, like John K. Galbraith, after acknowledging the ambiguity of technology and the fruitlessness of trying to define it with specificity, have settled on more functional description. For example some refer to technology as the systematic application of scientific or other organized knowledge into practical tasks.  

The developed countries appear to have adopted this functional definition. The Organization for Economic Cooperation and Development (“OECD”), which includes many of the developed nations of the world, proposed that “technology means the systematic knowledge for the manufacture of product, for the application and marketing techniques.”


27 Feinrider Martin, UNCTAD Transfer of Technology Code Negotiation: West and East Against the Third World, 30 BUFF. L. REV. 753, 757 (1987)  


29 Proposal made during the negotiations for an International Code of Conduct on the Transfer of Technology, U. N. Doc. TD/CODE TOT/C.1 WGI/CRP.3 (1983) Interestingly at the beginning this proposal, which calls only for “knowledge,” seems to include any requirement that transfers of technology includes tangible items.
Defining technology functionally adds an element of subjectivity. If technology is, in fact, the use of scientific knowledge by given society at a given moment to resolve concrete problems facing its development..., then what constitutes technology will vary with the culture and with the level of development.

For purposes of my thesis, a working definition of technology will be adopted which incorporates both the broad and the functional definitions. Technology will be considered anything, tangible or intangible, whether or not that technology is presently available to the country.

Authorities have had similar difficulties defining “technology transfer”. There has been a general consensus that any workable definition of technology transfer must be functional rather than formal, however the specific definitions have varied. One scholar defined it as “the process by which science and technology are defused throughout human activity”. Another labeled it “the transmission of know-how to suit local conditions...” Nevertheless, both authors were careful to point out that the transfer of technology requires a functional component – in order for there to be a true transfer of technology, there must be effective absorption of the transferred technology by the recipient country.

\[30\] OECD, North/South Technology transfer – The Adjustment Ahead 18 (1992)


\[32\] John E.S. Parker, The economics of innovation: the national and multinational enterprise in technological change, 54 (1993)
The legal connotation of the term "transfer" in relation to the proprietary interests which attach to private property, denotes the release of those rights to another, either wholly hr as regulated by law, policy or private contractual agreement. \(^{33}\) Therefore, the international transfer of technology should be understood as a process which ends in the acquisitions of scientific and technological research developed in one country by another country. In other words, the rights as well as their object should be subject of the transfer.

The proposed draft of the Code of Transfer of Technology defined transfer of technology as "transfer of systematic knowledge for the manufacture of a product, for the application of a process or rendering of services and does nor extend to the transaction involving the mere sale or lease of goods."\(^{34}\)

The draft Code also tried to narrow down some of the transactions that would constitute the international transfer of technology. According to the Chapter 1, Art. 1.3 transfer of technology transaction are arrangements between the parties involving the transfer of technology as defined above in each of the following cases:

- Assignment, sale and licensing of all forms of industrial property, except for trademarks, service marks and trade names when they are not part of transfer of technology transaction;\(^{35}\)

\(^{33}\)Ruth L. Gana, US Science policy and the international transfer of technology, 3 J. Transnat’I L. & Pol’y 205

\(^{34}\)UNCTAD, Draft Code of Conduct of the International Transfer of Technology, 19 I. L. M. 773

\(^{35}\)See Howard Perlmutter & Tagi Sagafi-Nejad, International Technology Transfer 26 (1981)
Provisions of know-how and technical expertise in the form of feasibility studies, plans, diagrams, models, instructions, guides, formulas, basic or detailed engineering designs, specifications and equipment for training, services involving technical advisory and managerial personnel, and personnel training;\textsuperscript{36}

Provisions of technological knowledge necessary for the installation, operation and functioning of plant and equipment, and turn-key projects;\textsuperscript{37}

Provisions of technological knowledge necessary to acquire, install and use machinery, equipment, intermediate goods and/or raw materials which have been acquired;\textsuperscript{38}

Provisions of technological contents of industrial and technological cooperation arrangements\textsuperscript{39}.

Taking into account the functional theory for purpose of defining the transfer of technology transaction we can point out three essential elements:\textsuperscript{40} in case when technology is transferred across national boundaries between the supplying party and the acquiring party; second element, when the transfer of technology transaction is entered into between parties which do not reside or are not established in the same country, and

\textsuperscript{36}Id at 28

\textsuperscript{37}Id at 35

\textsuperscript{38}Id at 41

\textsuperscript{39}Id at 43

\textsuperscript{40}A Strategy for the Technological Transformation of Developing Countries U.N. Doc. TD/B/C.6/90, at 10 (1982)
third, transactions which take place between parties which although are residents of or established in the same country, have either party as branch, subsidiary or affiliate, or otherwise directly or indirectly controlled by foreign entity.

B. “PARTY”: “ACQUIRING PARTY “AND “SUPPLYING PARTY”

Generally, a “party” to the transfer of technology is understood as being:

Any person either natural or legal, of public or private law, either individual or collective, such as corporations, companies, firms, partnerships and other associations, or any combination thereof, created, owned or controlled by States, Government agencies, jurisdictional agencies and international, regional and subregional organizations, when they engage in an international transfer of technology transaction which is usually considered to be of commercial nature. 41

The term “party “should also include, among the entities enumerated above, incorporated branches, subsidiaries and affiliates as well as joint relationships between and among them.

For the purpose of the transaction, the term “acquiring party” means the party which obtains a license to use or to exploit, purchases or otherwise acquires technology of a proprietary or nonproprietary nature and/or rights related thereto in a transfer of technology. 42

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41 UNCTAD, Draft International Code of Conduct on the Transfer of Technology, 19 I. L. M. 773
42 Id. at 3
"Supplying party" means the party which licenses, sells, assigns or otherwise provides technology of proprietary or nonproprietary nature and/or rights related there to in a transfer of technology. 43

C. "TYPES OF ARRANGEMENTS"

Several arrangements exist to facilitate the flow of the technology across national boundaries, the vast majority of which revolve around the contractual agreements. The distinctions in the form of these arrangements are purely formal ranging from the duration of the right, to the nature of obligations incurred by the contracting parties. Once the party approaches the process of the structuring of the technology transfer, the first task is to identify the subject matter of the transaction: the actual and potential technology rights of the transferor. It involves at least two very important steps. First of all, the parties have to understand the statutory and nonstatutory rights relating to the protection and transfer of technology and proprietary information that exists in the country from which the transfer is to occur. Second, both parties to the transaction have to develop an effective yet efficient due diligence procedure; a technology rights investigation, and try to analyze and assess business and legal risks associated with the transfer or acquisition of the technology rights. 44

43 Id at 4

44 See Ways and Means of Expanding Trade and Economic Relations Between Countries Having Different Economic and Social Systems, TD/B/AC. 38/2, AT 26 (1984)
As already mentioned, the subject matter of any technology transfer consists of a body of knowledge and experience, often without clearly defined boundaries, which has been developed or acquired by the transferor relating to the creative process of conceiving, designing, engineering, manufacturing, marketing, selling, and otherwise supporting a unique product or service. In most countries of the world, this knowledge can be loosely segregated into statutory elements (such as trademarks, patents and copyrights) and nonstatutory rights often referred as trade secrets and/or proprietary information. However most of the similarities among international technology regimes are quickly consumed by the various historical, cultural, economic, and political considerations that influence policies in given country with respect to the acquisition and use of these significant tools for economic development.\footnote{See Kaplinsky, Technology Transfer, Adaption and Generation: A Framework for Evaluation, in Technology Transfer in the Developing Countries 21 (Manas Chatterji ed. 1990)}

I. Assignment of Patents

In most countries around the world, patents are a creation of statutory law and generally grant protection to an invention that meets specified standards of utility, novelty, and originality, provided that the practice of the invention is fully described in an application filed with, and reviewed and approved by the appropriate governmental agency. Not every invention receives the protection. For example, to be patented in the United States, an invention must fall into one of the following categories: processes,
machines, manufacturers, composition of matter or processes involving new uses of known process, machines, manufactures or composition of matter, or improvements in any of the above.\textsuperscript{46} Foreign jurisdictions also have their own definition of the classes or categories of patentable inventions. An idea is not patentable, only the embodiment of the idea, in the form of invention, is patentable. In the United States, determining whether or not the invention is obvious, references will usually be made to the prior art of the technical knowledge embodied in the invention.

If a patent is granted in a given nation, it generally provides the owner with the right, for limited period of time, to prevent or exclude others from making, using, or selling the invention in that nation. However, a patent does not itself confer on its owner the right or ability to make, use, or sell the invention.\textsuperscript{47} As such, a patent is really a legal right that complements and enhances the technology embodied in the protected invention.\textsuperscript{48}

In the international transfer of technology transaction a patent owner has several strategic options with regard to the use and control of the patent rights. First of all, the patent rights can be used as means of preventing others from exploiting the invention, even when the owner does not have the financing or production capabilities to use the

\textsuperscript{46} 35 U. S. C. §§ 101-103 (1988)

\textsuperscript{47} In the United States, see 35 U. S. C. §154, 271 & 284 (1988)

invention itself. 49 Second, the exclusionary screen provided by the patent can be complemented by the owner’s own production and development efforts, in effect a use of the invention 50. Finally, the owner can assign patent rights to others, a form of exception to the monopoly rights, in return for royalty income, or in some cases, as valuable contribution of capital to a new business enterprise. 51

"It should be clear for the parties that patents, as well as the various trademarks and copyrights, are the creation of statutory law of the nation in which the application therefor is made. As such, a valid statutory patent right in one nation do not provide similar protection outside of its borders. However, while the patent granted in country A can not be enforced in country B, importation of goods from country B that infringe country A’s patent may be stopped, and the infringer may be sued in country A." 52

The foregoing can be true not only because an application for protection has not been made, but it may also be the case that the idea or subject matter of the application would not otherwise be eligible for patent protection or would conflict with preexisting rights granted to an earlier applicant in that country. Very often the fact that technical

49 See Kaplinsky, Technology Transfer, Adaption and Generation: A Framework for Evaluation, in Technology Transfer in the Developing Countries 21 (Manas Chatterji ed. 1990)

50 Id at 34

51 Id at 42

52 Alan S. Gutterman, A Legal Due Diligence Framework For Inbound Transfer of Foreign Technology Rights, 24 Int’l Law. 976
information is not eligible for the grant of a patent does not mean that such information would not qualify for trade secret protection in a given jurisdiction.\(^53\)

Moreover, the scope of inventions that qualify for patent protection as well as publication and review procedures, the legal significance of the patent grant and related enforcement procedures, the duration of the patent, and any other rights that might flow from the grant of a patent will vary throughout the world. For example, in many countries it is necessary that the patent be worked or used within a specified period of time or protection will be lost, and compulsory licenses to the patented technology will be granted by governmental action.\(^54\)

The strength and the breadth of patent coverage may vary substantively even among developed nations. For example, the scope of patent coverage in the United States reflects a result-oriented review while a problem-solution framework exists in Europe and Japan. Therefore the breadth for patent coverage in the United States tends to be greater than in Europe and Japan since protection in Europe and Japan appears to be more limited to specific industrial and commercial applications of the patent process or innovation. Moreover, some scholars think that patent coverage in Europe tends to be further diluted by the multi-jurisdictional enforcement approach that exists in the European Community. The Japanese system has also failed to provide patent coverage on timely basis or in a manner which meets the expectations of foreign investors\(^55\).


\(^{54}\)See Peter Nanyena-Takirambudde, Technology Transfer and International Law 5 (1980)

\(^{55}\)Alan S. Gutterman, A Legal Due Diligence Framework For Inbound Transfer of Foreign
In the United States patents are issued by the Patent and Trademark Office and may either be utility or design patents. Initial ownership of patents belongs to the inventor, who must be one or more natural persons. In most instances, however, an employer has the right to have the patent on an invention if an employee assigned to it. During the last decade, a decided trend has developed in the United States to strengthen the enforceability of patents and patent protection.

It should be recognized that there are not only procedural differences between United States, Europe and Asia (especially the new so called South Asian Tigers) but that the actual patent rights granted to owners may be quite different from those that exist in the United States.56 This has become the issue of the extreme importance, due to the fact that as it has already been mentioned the new fast developing countries of the world are creating their patent system based on what already exist.57 For example, in Thailand products and designs covered by a certain patent may be imported until the patent is worked (i.e., used by its owner for commercial purposes) or the process or design is used in Thailand: no infringement action may be contemplated against production or sale of a patented article or design that was begun in good faith prior to the date of publication of the patent application; compulsory licensing may be applied for by third parties upon

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56 Id at 978

57 Carl Dahlman & Lary E. Westphal, Technological Effort in Industrial Development and Interpretive Survey of Recent Research, in The Economics of the New Technology in Developing Countries 105-37 (1991)
certain conditions; if patent has not been worked or used without justifiable reasons after six years from the date of grant, it may be canceled, etc.\textsuperscript{58}

For the purpose of evaluating the rights that are being assigned in an international transfer of technology, it is essential to understand that patent enforcement procedures also differ among the United States, Europe and Japan.\textsuperscript{59} For example, in Europe and Japan the validity of patent claims is usually decided at the opposition stage, after the patent application is published, and prior to the patent grant, rather than at the enforcement stage (after the patent is granted), as it is in the United States.\textsuperscript{60}

The several factors regarding foreign patent litigation include: the time limits bringing the infringement action, how far back can the owner of the patent collect past damages, whether or not injunctive relief is available, whether a bond must be posted by the plaintiff, the use of discovery procedures and the duration of a patent infringement suit.

The final and the most important element to consider when dealing with the patents is the actual transfer or assignment of the rights from transferor to transferee. First of all the transfer of the patents should include not only patents but also patent

\textsuperscript{58} Id see 20

\textsuperscript{59} The stage of technical development in Japan makes it one of the most desirable nations for considering some form of technology acquisition. A good brief introduction to the Japanese system of technology rights, although written from the perspective of an American firm licensing technology in Japan can be found in Cunard, Protecting American Technology Transfer to Japan, Including Patent, Trademark and Licensing Issues, in Japan-United States Trade and Investment: Strategies for the 1990's, at 93-121 (ABA National Institute Materials, Nov.1989)

\textsuperscript{60} See Linn Williams, Transfer of Technology in the International Marketplace 41 (1992)
applications, continuations, continuations-in-part, or divisional applications. Claims for past infringement also should be transferred.\textsuperscript{61} Second, while in the United States, assignments of patents, trademarks, and copyrights are effective when made, more burdensome procedure and approvals may be imposed in foreign nations, and any assignment may not be effective until actually approved by the relevant governmental agency.\textsuperscript{62} Even in the United States any such assignment should be recorded with the appropriate governmental filing office promptly following the assignment. Covenants with regard to such a filing should usually be inserted in the documents relating to the transaction.

In addition, if a patent assignment is chosen for the technology transfer, it should be clear that every party understands each of the components of the transferor's current patent portfolio and the degree of protection that each patent provides for the subject technology in each jurisdiction where a patent has been obtained.\textsuperscript{63}

\textsuperscript{61}Id at 56

\textsuperscript{62}Id at 64

Licensing is the other basic form of technology transfer. It takes the form of licensing agreements, which may cover patents, trade secrets, copyrights, and/or trademarks.\textsuperscript{64} Whatever form the license agreement may take, the license is simply acquiring from the licensor the right to use the various components of the licensor’s technology rights for the purposes stated in the license agreement. However, in order for the technology transfer to be meaningful, it may be necessary for the parties to contract as to certain other goods and services relating to the use of the technology. Each of these agreements tend to build a greater degree of dependence between the parties, and as such, may lead to complex concerns regarding the day-to-day operations of each company’s business operations. For example license may cover the right of the licensee to copy and/or manufacture the licensed technology, to modify or change the technology, and to distribute the products produced as a result of the use of the technology.\textsuperscript{65}

In any technology transfer arrangement involving licensing the following issues may arise:

a. Exclusivity (depending on the type of license granted). Ordinary we distinguish exclusive and nonexclusive licenses. Exclusive license precludes the licensor from granting any other license related to the technology that has been licensed;\textsuperscript{66}

\textsuperscript{64}Id at 234
\textsuperscript{65}Id at 263
b. Scope of the license and restrictions;

c. Power to enjoin infringements (if possible in certain jurisdiction);

d. Entitlement to damages;\(^{67}\)

e. Renewal;

f. Rights or obligations after termination.\(^{68}\)

In addition to a license agreement, the parties may enter into one or more supply agreements concerning the sale by the transferor to the transferee of assemblies, subassemblies, components, parts and manufacturing tools, and tests that will permit the transferee to manufacture and sell products using the licensed technology in a timely and cost effective fashion. Alternatively, or in addition, the transferor may provide the licensee with information as to purchasing specifications and sources. This become more complex when the sole source of particular components or when the components contains confidential information that is owned by a third party and that the transferor is unable to pass along freely to the transferee.\(^{69}\)

Again, in order to make the technology transfer more effective, it may be necessary to contract for technical and management assistance, as well as training.\(^{70}\) Technical assistance could include plant design, equipment procurement, machinery

\(^{67}\)Id at 125

\(^{68}\)Id at 131


\(^{70}\)Stacy Snowman, Avoiding the potential pitfalls in licensing, 458 PLI/Pat 355 (1998)
layout, and engineering assistance. Many nations impose restrictions on the ability to foreign companies to enter the country for any length of time to conduct some of the activities typically associated with technical assistance, and reference should be made to applicable laws on employment, entry of aliens, and work permits. In particular, attention should be paid to any specific requirements relating to the assignment of ownership rights in technology, as well as any general conditions imposed upon direct investments.\(^{71}\)

Assistance may be performed in the transferor’s country, the transferee’s country, or both. Cooperation of this type may quickly lead to a further level of involvement between parties, particularly when the assistance relates to research, development, and engineering efforts aimed at adapting the transferred technology to the transferee’s country and markets.\(^{72}\)

A transaction involving a license agreement, a supply agreement, a technical assistance and training agreement, or a combination thereof, implies a very basic relationship between the transferor and transferee. For the transferor, the relationship involves an economic decision to sell or lease a portion of its technology rights in exchange for a stream of income in the form of royalties or related fees. For the transferee, a decision has been made to make a specified investment in the acquisition of the transferor’s technology rights in order to develop, manufacture and sell products in given market.

\(^{71}\)Id at 384

\(^{72}\)Id at 392
There will be situations, however, when a more complex relationship is appropriate, particularly if the party believes that the existing technology rights may benefit from enhancement and development efforts, or if the party perceives that the transfee’s home market is a desirable or advantageous locale for the formation of a more robust business relationship. Without going into detail, the parties have to consider alternative form of foreign presence in the market, such as sales through domestic agents or distributors, an internal program of export to the foreign market, local agents in the foreign market, or a registered presence, such as branch office, joint venture company, or wholly owned subsidiary.73

3 Equity Investment

The other form under which the international transfer of technology can take place is equity investment. The following transaction can be considered more complex due to its nature and the parties involved.

Generally, foreign investment can take form of direct investment, where the investor exercises significant control over the enterprise, or portfolio investment, where the investor obtains an equity stake in the continued growth and development of the enterprise but exercise little, if any, actual management control.74


74 See Jan Monkiezwicz, Western Direct Investment in Centrally Planned Economics, 20 J. World Trade L. 627 (1996)
Foreign investment of either type may be undertaken when the investor believes that the investment will strengthen its market position in its own domestic market, the market in which the investment is made, and in any other markets where the goods and services of the foreign party can be effectively exploited. It is also one of the traditional methods of transferring technology through investment in wholly owned and controlled subsidiaries. Not surprisingly we can point out that it has been the form of transfer that transnational corporations favor\(^7\). TNCs invest in developing markets in order “to protect the existing market, to create new markets, to bypass prohibitive barriers and import restrictions, to take advantages of cheap labor and skills, and to discover or protect raw materials”\(^6\).

A country may have detailed requirements that it imposes upon foreign investors. In dealing with the foreign investment in the international transfer of technology transaction a number of issues should be addressed, such as, for example, the importance of the technology rights portfolio to the party to be acquired. For example, the value of a high technology company is intimately tied to the strength and utility of its patents, trade secrets, copyrights, and trademarks. Questions exist as to the reasons for making the proposed acquisition. If the investment is to be made in order to take advantage of lower production or labor costs, or to facilitate direct marketing and sales in the country, the technology rights aspects of the transaction tend to be relatively narrow. In those cases

\(^7\)See Neil Hood, The Economics of Multinational Enterprise 202 (1996)

\(^6\)Id at 205

\(^7\)Id at 218
the investor is probably more concerned about ensuring that any technology transferred to the foreign party by the investor after the acquisition is effectively protected.\textsuperscript{78}

A third set of issues concern the future plans of the acquiring company in the foreign market. For example, the acquirer may believe that a direct investment will facilitate its ability to make future penetration in the marketplace with products that have not been developed or that will be the subject of joint development\textsuperscript{79}

Once again the structure of the technology transfer is really a function of a number of variables, including the goals and objectives of the transferee, and not unimportantly, the perceived value of the technology rights as evaluated through the technology rights investigation. The parties will not only need to make a judgment regarding the scope and integrity and the technology rights, but also must assess the management and technical skills of the transferor and the general legal and business environment in the transferor's country.

Having described the types of arrangements that constitute the international transfer of technology transaction I now would like to describe industrial property as the essential element of the transaction and the types of the international treaties and regimes that exist for its protection.

\textsuperscript{78} Id at 231

\textsuperscript{79} Id at 235
CHAPTER III

SUBJECT OF THE INTERNATIONAL TRANSFER OF TECHNOLOGY TRANSACTION

A. INDUSTRIAL PROPERTY:

PARIS CONVENTION OF MARCH 20, 1883

The subject of the international transfer of technology transaction can be defined by one very broad and meaningful term: "industrial property". In 1883 eleven states signed the Paris Convention and established the International Union for the Protection of Industrial Property.

The Paris Convention facilitates patent and trademark protection and establishes certain minimum standards of industrial property protection. The Convention covers a broad scope of industrial property, including inventions, trademarks, service marks, industrial design, trade names, indication of source, utility models, and appellations of origin. The basic provisions of the Convention can be divided into three main categories: national treatment, the right of priority, common rules.
The provisions or national treatment contained in Article 2 of the Convention attempt to create uniformity in the protection of industrial property between member countries. Accordingly, each member state must grant the same protection to the trademarks, inventions and other forms of industrial property of the nationals of other member states as it does to those of its own nationals. In addition, a member state may not require a national of another member state to be a domiciliary or to have a commercial establishment in the country in order to enjoy the protection under the Convention.

The principal of right of the priority is set forth in Article 4 of the Convention. On the basis of the first application filed in any member state, the applicant may, within the specified period of time, apply for the protection in any other member state, and the applications filed later will be considered as if they had been filed on the same day as the first application. As long as they are filed within the time period specified by the Convention (twelve months for patents and utility models; six months for industrial designs and trademarks), the later application have priority over any applications which may have been filed by third parties during that time period for the same invention, trademark or industrial design. This procedure has great practical significance because the applicant has time to decide in which countries to seek protection without losing the right of priority.


Finally, there are certain common rules for the protection of industrial property contained in the Convention. These rules set forth minimum standards with which each member state must comply. Apart from these common rules, the member states are free to legislate industrial property matters within their respective states.\textsuperscript{82}

In respect to international transfer of technology transaction the Paris Contention provides us with a sense of the difference in patent regimes around the world. Some patent systems aim to protect the industrial property on the particular nation, and will not grant protection unless the invention meets certain standards of absolute novelty. The priority provisions prevent a prior filing in another nation from destroying the novelty of the invention that is the subject of the patent application in the second nation.\textsuperscript{83} Other nations require publications of a patent application before the patent issues, generally eighteen months after the priority date. The ability to withhold the filing of a patent application for specific period of time, and thus delay publication, allows the owner to consider further whether trade secret protection is preferred in the nation requiring publication\textsuperscript{84}

Under the Paris Contention a nation can revoke a patent because of non use where a compulsory license would not be sufficient to cure the abuse. The parties should be aware that pressure exists among developing nations to require an exclusive compulsory license, rather than a non-exclusive license, in the event that an invention is not worked

\textsuperscript{82}Id see Art. 4

\textsuperscript{83}G. V. Smith & Parr, Valuation of Intellectual Property and Intangible Assets 45 (1997)

\textsuperscript{84}Id at 56
for two years. Also, developing nations are concerned that equal treatment provisions may perpetuate what they perceive to be an existing imbalance in technology transfer.\textsuperscript{85}

The terms of the Paris Convention have been supplemented by the Patent Cooperation Treaty\textsuperscript{86} that came into force in 1978 among the some of the states parties to the Paris Convention.

\textbf{B. TECHNOLOGY PROTECTED BY THE STATUTE:}

\textbf{PATENT COOPERATION TREATY OF 1970}

The Patent Cooperation Treaty (PCT) was concluded on June 19, 1970 and is open to all states parties to the Paris Convention for the Protection of Industrial Property Rights. It permits the national of any contracting country to file an "international patent application designating the member countries in which they desire patent protection. The application is filed with the national patent office of the applicant's country of residence or nationality. Thus, a company would file an international patent application with the national Patent and Trademark Office. By providing for centralized filing procedures and standard application form, the PCT eliminates the burden of making an individual patent application to each country.\textsuperscript{87}

\textsuperscript{85}Id at 62

\textsuperscript{86}Patent Cooperation Treaty of 1970, I. L. M. IV

\textsuperscript{87}Carlos Perez, Foreign Protection of Intellectual Property Rights and the Effect on the US Industry and Trade 64-134 (1997)
The Patent Cooperation Treaty simplifies the process by establishing certain minimum standards for formalities of applications and providing for a single international search for each application. If such minimum standards are met, an application filed in any member state automatically becomes an application in the other member states designated by the applicant.

Once the international application is filled, it is subject to an international search carried out by one of the major national patent offices or by the European Patent Office. The resulting report lists items that might affect the patentability of the invention. This provides the applicant the opportunity to evaluate the probability that his invention will be patented. The applicant may choose to withdraw his application at this stage. If the application is not withdrawn it is then published, together with the international search report, by the World Intellectual Property Organization. WIPO then sends the copy of the application to the national patent office in each country designated by the applicant.88

Within twenty months of the original filing of the application, the applicant must furnish to each office a translation of the application into the country's official language and registration fee. If the application involves the priority of an earlier application, the twenty months is counted from the date of filing of the earlier application. In addition, applicants who are domiciliaries or nationals of a member country bound by Chapter II of the PCT may request an "international preliminary examinations report " which gives a preliminary and non-binding opinion on the patentability of the application and allows

88Id at 141
the applicant to accomplish the necessary steps, such as appointing local patent agents preparing transactions, that will bring about multi-national patent protection.

The Patent Cooperation Treaty does not establish or unify any substantive patent law. Its purpose is to simplify the procedures for obtaining multinational patent protection.

It should be noted that the countries of European Community implemented the further steps towards the protection of industrial property as well as intellectual property. Two major conventions that should be noted in this respect are the European Patent Convention of 1973 \(^{89}\) followed by Community Patent Convention of 1975 \(^{90}\)

The Convention on the Grant of the European Patents establishes that European patents shall be granted for any inventions that are susceptible of industrial application, which are new and which involve an inventive step. The 1975 Convention is meant to provide for the possibility of one European Community Patent. This Convention has never been implemented and presently it is being reviewed by the European Commission. Both conventions are directed towards the harmonization of the intellectual property rights in the European Union. The European Union has put intellectual property high on its agenda and is taking a number of initiatives to harmonize certain areas of intellectual property within the Union.


Nevertheless, one is mistaken if one would assume that the European Union can be seen as a ‘United States of Europe’ in IP matters. One must always have to be bear in mind that for the most part intellectual property is matter of national law, despite of these European initiatives, and in spite of the various international treaties that deal with IP. Therefore, intellectual property issues in cross border transactions are almost always primarily issues of national law. As a consequence one has to check and research issues on a country by country basis.  

C. TECHNOLOGY NOT PROTECTED BY THE STATUTE: TRADE SECRETS, TECHNICAL DATA, KNOW-HOW AND UNPATENTED INVENTIONS.

Trade secrets, sometimes referred to as know-how or proprietary information, consist of information not generally known to the public that the owner uses or plan to use in its business and that gives it an advantage over actual or potential competitors.  

Also, the US Uniform Trade Secret Act defines a trade secret to mean: information, including formula, pattern, complaint, program, devise, method, technique, or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by other persons who can

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92 Vinshy, Guide to International Commercial Law 6-23 (1992)
obtain economic value from its disclose or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.\textsuperscript{93}

So long as such information is not published or released without restriction into the public domain, it is protectable as a matter of statute or contract under the laws of many countries, particularly in the developed nations. Trade secrets may even include technical information that is patentable, although a decision may be made not to seek a patent in order to avoid the disclosing sensitive information in the patent application.\textsuperscript{94}

A patent application may be filed in one country but not in another, due to disclosure requirements. For example, a patent application in Country A may require very limited disclosure, whereas an application in another country, such as for example the United States, may involve such broad degree of disclosure that the owner will prefer to maintain the information as a trade secret. Therefore, the technology package in the two nations will differ: in Country A it will consist of the patent and the trade secrets that are undisclosed in the patent; in the other country it will consist of only trade secrets.\textsuperscript{95}

In the United States the key to the trade secret protection lies in the determination to limit access to the information and to maintain its confidentiality by requiring all persons exposed to the secret to agree in writing to keep it confidential. Properly maintained, trade secrets may have an indefinite life, and the owner may maintain an

\begin{itemize}
  \item Helgard Weiner, East-West Technology Transfer: The Trade and Economic Aspect 281 (OECD 1986)
\end{itemize}
action against those who can gain knowledge of the information through improper means or in violation of confidential relationship96.

The list of possible trade secret information can to extend to such things as machine drawings, process instruction, manufacturing costs, manufacturing and testing specifications, customer lists, sales records, and marketing techniques. In some cases trade secret information can also encompass technical aspects of a production process that do not work, since such knowledge would be valuable to someone seeking to develop the process independently in a timely manner. In each case the key inquire is the availability of trade secret protection in the transferor’s jurisdiction and the maintenance by the transferor to ensure that such information is maintained in a confidential fashion97.

The parties should ensure that the transferor’s jurisdiction does not impose any limitation or restrictions upon a resident’s ability to transfer trade secret information to a foreign transferee, and a representation to that effect should be sought from the transferor. Also, the parties should note that some jurisdictions refuse to include techniques of a nonindustrial nature in the definition of know-how or trade secrets and may otherwise limit the duration of trade secret protection.98

In some jurisdictions, the definition of a trade secret is quite restricted and depend upon the status of the defendant at the time the information was disclosed. Also,

96 Id at 30
97 Id at 31
98 Id at 34
governmental authorities may decree that trade secret information can only be afforded protection for a limited period of time. Finally, even when trade secrets are recognized, a company may have no effective remedy available against third parties who may have benefited from disclosure of trade secret information in violation of contractual restrictions. Indeed, many of the major trading partners of the United States have been cited for any number of shortcomings in their systems of trade secret enforcement. 99

Generally, with respect to a number of foreign jurisdictions, the United States International Trade Commission (USITC) has noted inadequate civil and/or criminal penalties, unreasonably slow, underfunded, or inexperienced enforcement process, and political corruption and antiforeign bias in the enforcement agencies. In light of the foregoing, the United States Trade Representative has made the development of adequate standards for trade secret protection a key objective of the United States in the Uruguay Round of the General Agreement on Tariffs and Trade, and has also indicated its intent to continue to pursue unilateral and bilateral action on the subject. 100

Trade secret protection can arise as a matter of statute or pursuant to contractual provisions. The manner in which these restrictions are enforced, however, varies from nation to nation depending upon, among other things, cultural attitudes and national

99Id at 38

policies relating to such dispute factors as the right of a worker to pursue employment free of restrictions imposed by virtue of prior employment.101

There are some general concerns that should be taken into account. First of all, trade secret statutes and common law standards102 should be reviewed in order to identify the scope of protect able information,103 the class of potential defendants, and the penalties and enforcement procedures available under the statutes and the common law.

Moreover, although trade secret protection can usually be created as matter of contract, some nations limit the duration of such restrictions, in other cases nondisclosure agreements imposed upon employees may be set aside if the effect of such an arrangement is to restrict unreasonably the employee’s right to choose an occupation.104

Trade secret laws reflect cultural attitude as well. Thus, in many instances, trade secret protection is not available on the same basis as it is in the United States. Many countries provide that an employee’s right to seek employment includes the right to make use of information learned from previous employers. Also, in contrast to the prevailing


102 Statutes and common law regarding trade secrets may have originated in the context of the regulation of unfair competition.

103 In Brazil, commercial information and manufacturing information are distinguished, and accorded different levels of trade secret protection.

104 In Japan, for example see on this issue the Judgement of Oct. 23, 1970, Yugen Kaisha Foresco Japan, Ltd. v. Okuno and Diamatasu, Nava District Court, Japan, 624 HANJI 78, where the court held that a noncompetition agreement would be against “public order and good morals”, and therefor null and void, if it threatened the livelihood of an employee by unreasonably restricting the employee’s right and freedom to choose an occupation.
practices in the United States, inventions made by an employee during the course of employment in a foreign country are not always assumed to be the property of the employer.

Local business practices and national policies also have a significant impact on the potential for wide diffusion of trade secret information. Specifically, in those economies where corporate networking exists, such as in many parts of Asia, it is common practice for members of the corporate family to share competitive information.\(^\text{105}\)

In less developed countries government policies tend to favor distribution of technical information through the local businesses community, rather than permitting a few firms to enjoy a competitive technical advantage. In view of the factors set forth above, it is important for the parties to understand clearly the various cultural and business practices of, and the relative availability of trade secret protection in, the home market which also has dual importance for the domestic client. First, the parties need to determine whether a significant risk exists that the competitors who might use it to produce identical or similar products that would diminish the value of the transferred rights. Second, the parties should be concerned as to whether disclosure of the information into the public domain in the foreign jurisdiction would impede its own

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\(^{105}\)For example, in Japan many standard business practices, including sharing of information among members of various corporate and business group, would likely violate antitrust restrictions in the United States.
ability to claim trade secret protection for the same information the United States and other markets.\textsuperscript{106}

After defining the types of technology that exist and the international statutory and nonstatutory protection it receives it is important to describe the parties to international transfer of technology transactions. Due to the complex nature of these transaction legal persons involved are likely to receive special treatment, where they will have to comply not only the national law but international regulations as well.

Chapter IV

PARTIES TO THE INTERNATIONAL TRANSFER OF TECHNOLOGY TRANSACTION

A. TRANSNATIONAL CORPORATION

1. Transnational Corporation in

the International Transfer of Technology Transaction.

The international regulation of transnational corporations (TNC) in the context of the international transfer of technology has emerged as one of the major endeavors of the world community in the past decade following the increase of technology transfer.107

It is widely acknowledged that most of the technology transfer takes place through investment contracts with transnational corporations headquarter in developed countries since the TNCs are the source of the most of the technology.108 Although the TNCs’ position of control in the world ‘s technology market has often been criticized, it is not likely to change in the near future. The TNC’s are able to retain their control over

107 John Parker, The Economics of Innovation: The National and Multinational Enterprise In Technological Change 52 (1996)

108 Over the years, these corporations have been called “multinational corporations”, “multinational enterprises”, and “transnational corporations”, the term which has been generally used since 1974
the world's technology supply since they conduct virtually all of the world's research and development. The established, financially secure TNCs are uniquely able to raise the capital and commercially endure the risk of conducting research and development to most projects. Finally TNCs are the world's experts at applying science and technology to production and marketing.¹⁰⁹

It should be noted that various agencies and governmental institutions have been engaged in formulation of various international or regional instruments spelling out standards and principles for the regulation of the international transfer of technology as well as regulation and treatment of international business.

On one hand, it is recognized that transnational corporations have the requisite economic power and resources to act as effective instruments of development in developed and developing countries alike. On the other hand, the pervasive role attributed to these enterprises in the world and the disclosure of certain instances of corporate misconduct have generated a grave concern about the negative impact of transnational corporations on economic development and political and social affairs, at both the national and international levels. The attempt to regulate transnational corporate conduct, particularly the part that has to do with the international transfer of technology, is matched by the desire to establish a regime of minimum standards for the treatment of transnational corporations. The main object of these endeavors is to create an international framework that would minimize the negative effects of the activities of

¹⁰⁹ For an extensive discussion of the TNC's dominant position in the technological marketplace, see Dominant Position of Transnational Corporations, U.N. Doc. TD/B/C.2/167 (1987)
transnational corporations, while maximizing their positive contributions to the development of technology process.\textsuperscript{110}

The need for such an international framework steps from the realization that national regulation and control are inadequate to deal effectively with the global strategies of transnational corporations. Many states have encountered difficulties in regulating transnational corporate conduct so as, on one hand, to achieve such positive goals consistency of the activities that involve the international transfer of technology with domestic laws, regulations and policies, adequate disclosure of information, and consumer protection: and on the other hand, to prevent such negative activities as tax evasion, restrictive business practices, illicit payments and abusive transfer pricing.\textsuperscript{111}

2. Defining the Transnational Corporations

Before trying to define transfer of technology transactions involving transnational corporations it is necessary to define the entity. It should be noted that no official definition exists. The closest definition for the term “transnational corporation” was made by the United Nations Commission On Transnational Corporations in its Draft Code Of Conduct On Transnational Corporations.

“The term “transnational corporation“ ... means an enterprise, comprising entities in two or more countries, regardless of the legal system of decision-making, permitting coherent policies and common strategy through one or more decision-


\textsuperscript{111}See Stanley Palidova, Joint East-West Marketing and Production Ventures 56-91 (1998)
making centers, in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of others, and in particular, to share knowledge, resources and responsibilities with the others.”

3. Ownership and Control

In theory the transnational corporation has to allocate its decision-making power among its entities as to enable them to contribute to the economic and social development of the countries in which they operate. It is also supposed to carry out their personnel policies in accordance with the national policies of each of the countries in which they operate and give the priority to the employment and promotion of its nationals at all levels of management and direction of the affairs of each entity so as to enhance the participation of the nationals in the decision-making process. The transnational corporation must contribute to the managerial and technical training of nationals of the countries in which they operate and facilitate their employment at all levels of management of the entities and enterprises as a whole.

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4. General Treatment of the Transnational Corporations

*By the Countries Where They Operate*

The general rule is that transnational corporations are subject to the jurisdiction of the countries in which they operate. Therefore, states have the right to regulate the establishment of transnational corporations including determining the role that such corporations may play in economic and social development and prohibiting, as well as limiting, the extent of their presence in specific sector. However transnational corporations should receive fair and equitable treatment in accordance with the laws, regulations and practices of the state where they operate.

5. Transfer of Technology

When writing about transfer of technology with regard to the transnational corporations it is understood that transnational corporations must conform to the transfer of technology rules and regulations of the countries in which they operate. However, the most distinctive feature of the international transfer of technology with a transnational corporation is the *intra-corporate transaction* where the technology is being passed through the border from the mother company to the subsidiary abroad inside the same corporate entity.\textsuperscript{114}

The main issue that transaction brings is the problem of cooperation with the authorities of those countries is assessing the impact of international transfer of technology on their economies and consult with them regarding the various technological options which might help those countries, particularly developing, to attain their economic and social development.\textsuperscript{115}

In the above mentioned intra-corporate transactions, transnational corporations should avoid practices which adversely affect the international flow of technology, or otherwise hinder the economic and technological development of countries, particularly developing countries. Benefiting from investing into the foreign markets the transnational corporation should contribute to the strengthening of the scientific and technological capacities of the developing countries, in accordance with the science and technology policies and priorities if these countries. The transnational corporations are encouraged to undertake substantial research and development in developing countries and make full use of local resources and personnel in this process.\textsuperscript{116}

6. The Most Common Forms for the TNCs transfer of Technology

The following is the analysis of the most common forms for the transfer of technology used by the transnational corporation during its operation on domestic and foreign market.

\textsuperscript{115} Id at 221
Technology is primarily transferred in three forms. First, it can be transfer in the form of machinery and other intermediate goods. This is normally adequate for manufacturing purposes where the nature of the technology is not complex and where no proprietary techniques or processes are involved.\textsuperscript{117} Second, technology also can be transformed through individual experts. Although this technique is employed relatively often, it is normally goes unpublicized.\textsuperscript{118} Finally, technology can be transferred through the technical know-how, patented or unpatented, or other information subject to the proprietary rights.\textsuperscript{119}

7. Methods for Transferring Technology by TNC's

a. Direct Foreign Investment

The traditional method of transferring technology has been exercised through investment in wholly owned and controlled subsidiaries. Not surprisingly, this is the form of transfer that TNCs favor. TNCs invest in developing countries in order to “protect the existing market, to create new markets, to bypass prohibitive barriers and import

\textsuperscript{116} Id at 236


\textsuperscript{118} Id at 71

\textsuperscript{119} Id at 83
restrictions, to take advantages of cheap labor and skills, and to discover or protect raw materials.\textsuperscript{120} These interests can be best fulfilled by retaining ownership and control of the technology transferred to a foreign market incident to an investment in that market.

\textit{b. Turn-Key Package}

Transfer of technology often takes place in the form of complete package. The supplier of technology provides also the machinery, buildings, management expertise, and production plans.

In general it should be noticed that for TNC, technology is an intangible corporate asset and therefore will not be transferred unless there appears to be a distinct advantage to the firm. TNC will generally look to invest abroad for the following number of reasons\textsuperscript{121} including: gaining the market, acquiring factors of production at competitive price, gain access to regular suppliers of raw material and maximizing the use of assets which may not have profitable alternative uses.

\textsuperscript{120}Helgard, East-West Technology Transfer: The Trade and Economic Aspects 281 (OECD 1993)

\textsuperscript{121}See Kalpinsky, Technology Transfer, Adaption and Generation: A Framework for Evaluation 53-89 (1997)
B. INTERNATIONAL TECHNOLOGY JOINT VENTURES

The parties may chose to establish a separate commonly owned joint venture company for the purpose of exploiting the subject technology rights and manufacturing the various derivative products. Also, the joint venture arrangement serves a number of purposes, and obviously tends to bring the interests of the parties into much closer alignment that would be the case if the technology transfer simply consisted of agreement between two essentially unrelated parties.122

Technology-based joint ventures are a powerful way for companies with complementary strengths to enter new markets more quickly and effectively than either venturer could manage alone. Because both technology and markets for technology products change rapidly, an equally rapid market entry and swift capture of significant market share are often critical to long term success.

1. The Joint Venture

In many countries of Western Europe a joint venture is a distinct form of business association created by its owners to combine certain attributes of one company with complementary features of the other corporation for the purposes of engaging in a

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122 Id at 71
specific enterprise or undertaking. Enterprise is first of all, co-owned and second, co-managed by the joint venture partners. Optimally, there is close cooperation and interaction between the owners. Although joint ventures are often governed by the substantiative law of partnerships, they differ from ventures in that a partnership contemplates operation of general business, not a specific undertaking. A joint venture need not be formally organized as a corporation or other business entity, but in substantial undertakings it is customary to incorporate. The form that the association takes can range from a partnership, to a close corporation, to a general business corporation, depending on several factors including the objectives of the parties.

Motives for forming the joint venture are several and often overlapping. A company may not have sufficient resources to undertake a particular project, and may need the financial source of another company to share the business risks and to reduce the burden of investment costs. Alternatively, the parties may wish to pool technology and expertise, thereby expanding the capabilities and opportunities available to each. A company may also desire to enlarge its market power or to expand into a foreign market with which it has no familiarity.

The primary advantage of the joint ventures is that it can allow the participants to undertake potentially speculative and high-risk endeavors without exposing assets to

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124 Id at 42

125 Id at 46
unlimited liability. Also that the joint venture partners can define at the outset the extent to which each shall be liable for costs and how risks associated with endeavor be allocated. And finally the financing arrangements of the new joint venture entity may not appear on the balance sheets of the parent company.

A modern joint venture can be formed in several ways, with several factors influencing a joint venture’s form. These include the nature of the joint venture operations, the duration of the joint venture, the legal situs of it, the need to insulate the venture parents from the liability, the requirements for the venture governance, and tax related financial considerations.

A contractual arrangement may be the simplest joint venture form. If contemplated joint venture activities require a legal entity to be established, a corporation offers limited liability and the statutory scheme of shareholder and management rights and responsibilities. Partnerships and other forms of business associations also may be appropriate.

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126 Oscar Schachter, Sharing the world Resources 43-56 (1998)
127 Id at 61
128 Id at 64
129 A general partnership is defined as “an association of two or more persons to carry on as co-owner a business for profit.” Unif. Partnership Act 6 (1), 6 U. L. A. 22 (1969) For federal income purposes, “partnership” also includes a “syndicate, group, pool, joint venture, or other unincorporated organization.” See I. R. C. 26 U. S. C. 7701
Although a contract is not required to form a partnership, partners typically use an agreement to embody the parties’ intent and to avoid future disputes. A corporation offers limited liability and statutory scheme of shareholder and management rights and responsibilities. Partnerships and other forms of business associations also may be appropriate.

The partnership is not a separate legal entity like a corporation. As a result, partners are jointly and severally liable for the partnership’s debts. It is also not a separate taxpaying entity. Partnership income is taxed directly to the partners, and they are liable for such tax in their individual capacities.

It should be noted that joint venture participants most often choose partnership to house their joint ventures. A partnership’s operating losses and some start-up expenditures flow through to the partners, so in most cases, the partners can deduct these losses directly against their taxable income.

In addition to defining the scope of the partnership, the partnership agreement should delineate the relationship among the joint venture partners. This is especially critical in symmetrical partnerships where each partner wants equal control over joint venture operations. Many joint venture agreements provide that specific partners have the

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130 Ale, Substantive Law and Special Problems of General and Limited Partnerships, in Resources Materials: Partnerships 3, 14, 23 American Law Institute, ABA Committee on Continuing Professional Education 1990

131 A general partnership is defined as “an associations of two or more persons to carry on as co-owner a business for profit.” Unif. Partnership Act 6(1), 6 U. L. A. 22 (1969) For federal income purposes, “partnership”also includes a “syndicate, group, pool, joint venture, or other unincorporated organization.” See I.R.C. 26 U.S.C. 7701
power to appoint designated joint venture management personnel. The hierarchy of personnel within the joint venture, as well as their respective duties and responsibilities, are often a reflection of each partners’ contribution to the enterprise. For instance, the partner contributing technology may appoint the director of engineering and financial assistant, while the partner contributing cash would designate the chief financial officer and engineering assistant officer.\textsuperscript{133}

There are two primary disadvantages of the joint venture that can influence its operation in the international transfer of technology transaction. First, since a joint venture involves co-ownership and co-management, there is a risk that problems will develop in the decision making process. Second, a joint venture may have its effectiveness undermined by negotiated compromises between JVPs replacing the certainty of a single management.\textsuperscript{134}

The first disadvantage is particularly prevalent in the case of dual and equal ownership where there is an increased probability of management deadlocks that can effectively stall all activities.\textsuperscript{135}

\textsuperscript{132} Oscar Schachter, Sharing the world Resources 42 (1998)

\textsuperscript{133} Id at 12

\textsuperscript{134} Scott Killingsworth, Form, Function, and Fairness: Structuring the technology joint venture (Part I), 15 NO.3Computer Law.1

\textsuperscript{135} “Dual and equal” in this situation means a joint venture where there are two parties that contribute equality to the venture and who expect equal returns. This is also commonly referred to as “50/50 joint venture”.
2. Contribution of Technology and Capital Requirement

In a technology joint venture, just like in any other, the capital shares initially subscribed by each shareholder affects the shareholder’s initial capital contribution, commitments to provide additional capital, sharing of profits and losses, dividend rights, writing rights, and management rights in the joint venture. Initial capital contributions may be in cash or in kind. Typically, technology joint ventures involve substantial contributions in kind. The contributions in kind may be tangible such as plant and equipment, or intangible such as manufacturing know-how.  

Determination of a shareholder’s initial shares in a joint venture involves considerations beyond the value of contributed assets. Transfer of intangibles such as patent, copyright and know-how rights of the joint venture presents additional alternatives.  

The most obvious distinctive characteristic of contributing technology to a joint venture is that the transferor is on both sides of the transaction. In its capacity as

136 Scott Killingsworth, Form, Function, and Fairness: Structuring the Technology Joint Venture (Part I), 15 NO. 3 Computer Law. 1

137 For example, Shareholder A is to manage a technology joint venture that will design and manufacture components for its shareholders. The shareholders’ forecast for output requirements is: Shareholder A-60%, Shareholder B-30 and Shareholder C-10%. Lets pretend that B could be also transferring valuable research data or manufacturing know-how. B could be compensated for this contribution either through additional shares in the technology joint venture or lump sum payment or royalties. A and C may prefer to issue B more shares, thereby conserving cash. However, B should be wary of the potential responsibilities for future capital contributions and other financing accompanying shareholdings of a percentage greater than B’s forecast requirements for venture output.
transferor, the venture wants to give up as little intellectual property and assume as little risk as possible; but the venture’s interest as a constituent of the transferee is to ensure that the joint venture captures whatever rights it needs to prosper. This duality can play out differently depending on the issue involved. Where liability is involved (such as liability for infringement, or under warranties of patent validity or product performance), the transferor is likely to feel that its interest in limiting its risk trumps the best interests of the venture: after all, the venture, as a shareholder in the venture, will receive the benefits of only a portion of any amounts it is required to pay to the venture under warranty. But where the scope of functionality of the transferred technology is concerned, the venture contributing the technology has a counterveiling incentive to ensure that the venture acquires all the intellectual property required for successful exploitation of the technology. At some point, for the venture to succeed the perceived risk and potential rewards have to be brought into equilibrium for each venture.138

In a venture where only one party is contributing technology, the conflict between that party’s transferor and transferee roles will typically be fairly strong, with the transferor interests predominating. The stronger incentive at the outset is to limit the transferor’s liability, in part because the transferor knows it can always grant more technology rights later, or waive reserved rights, or do additional technical development, if it decides that helping the joint venture this way is in its overall self-interest. In ventures of this type, the other partner (typically a money or distribution partner) will of

138 Scott Killingsworth, Form, Function, and Fairness: Structuring the Technology Joint Venture, 15 NO. 3 Computer Law 1
course argue the opposite case: that the venture should acquire the strongest possible rights in the contributed technology, so that it will not be dependent on the continuing goodwill and generous disposition of the technology venture.\textsuperscript{139}

The dynamics changes considerably where both venturers are contributing technology of roughly equal importance to the venture, in which case the "goose-gander "rule mutuality tends to be applied.\textsuperscript{140} However, differences in the type, strength, perceived value, and longevity of the parties’ technology contributions can result in interesting negotiation dynamics that have little to do with principle and much to do with self interest. For example, a venturer with strong intellectual property rights who suspects the its partner’s technology may infringe third party rights is likely to insist that each venturer fully indemnify the joint venture against infringement liability, while the partner contributing technology of doubtful validity would be expected to argue for a mutual quit-claim regime.\textsuperscript{141}

At the heart of a technology-based venture is the assumption that the exclusionary rights conferred by the contributed intellectual property will give the venture a competitive advantage against third parties on the market. But what about competition among the parties to the venture itself? A company considering participating

\textsuperscript{139}Stanley Palidova, Joint East-West Marketing and Production Ventures 23-67 (1998)

\textsuperscript{140}John P. Karalis, International Joint Ventures: A Practical Guide 56 (1992)

\textsuperscript{141}Id at 78
in a joint venture must be alert to the risk that either the venture, or the other venturer, will invade its competitive turf.\textsuperscript{142}

First, a venture contributing substantive products or technology (as opposed to capital or a distribution network) to a venture must be concerned about the venture’s potential to compete with the venturer’s existing business or its anticipated expansion.\textsuperscript{143} Second, the venture itself has an interest in avoiding competition from either venture, particularly by the use of the same technology that the venturer has contributed to the venture. Third, as in most technology licensing contexts, a venturer whose business is technology-driven needs to be alert to the possibility that its future could be impacted not just be head-to-head competition, but also by blocking technology the venture may develop or acquire. Like wise, the venture will wish to avoid competition from improved versions of the contributed technology.\textsuperscript{144}

Finally, each venturer has to be concerned with competition after the joint venture terminated, either by the other venturer or by the parties who may acquire technology or other assets from the venture when it dissolves or sold.

\textsuperscript{142}Id at 83

\textsuperscript{143}See UNIDO, Case-Studies in the Acquisition of Technology 49-62 (1991)

\textsuperscript{144}William Eggers, Investing in Eastern Europe 38-90 (1995)
4. Output of the Joint Venture: Technology

If the technology joint venture engages primarily in research and development, its output will be primarily technology. This technology may include patentable inventions, copyrightable works or trade secrets. In addition to creating its own technology, the joint venture may improve upon technology transferred to it by one or more of its shareholders. It may also acquire, and improve upon, technology created by others. A shareholder licencing technology to a joint venture may demand in return license rights for the venture’s improvements to the technology. It may further demand that other shareholders be precluded from access to the licenced technology. At a joint venture’s inception, each shareholder may license to the venture whatever technology it possesses necessary to the venture’s activities.\(^{145}\)

At minimum, the parties must agree as to: what rights to the original patents and technology are assigned or licensed back to the original owner; the rights, if any, to the original patents and technology are to be cross-licensed between the joint venture partners or licensed or sublicensed to the joint venture company if it is to be sublicensed to each other of the joint venture company, and which of the parties, if either, is entitled to improvements thereon.\(^{146}\)

\(^{145}\)The scope of technology joint venture may not be completely coextensive with the applicability of technology licensed by the shareholders to the joint venture. The shareholders may attempt to limit technology licensed to a joint venture to use within the venture’s scope. The shareholders similarly may attempt to limit the use of joint venture technology transferred to others shareholders.

\(^{146}\)See Ian Baranson, Western Direct Investment in Centrally Planned Economics 36-87 (1993)
The most difficult task after all is the establishment of the respective rights of the shareholders in the venture technology, including that transferred by other shareholders, as well as the rights to improvements. The rights of the shareholders may vary from shareholders having rights in joint venture technology only upon termination of either venture or the shareholder’s interest in the venture, to shareholders having full ongoing rights to venture technology. Further, the shareholder rights may be with or without payment to the joint venture, and may or may not include the rights to sublicense. Sublicensing in turn requires income sharing with the joint venture.\textsuperscript{147}

Shareholders may desire ongoing rights to joint venture technology for various reasons. For example, joint venture technology may be acquired for incorporation within related shareholder technology, or the venture and shareholder may enter into cooperative research and development efforts outside the scope of the venture.

Also shareholders purchasing products from a joint venture for resale may find it necessary to sublicense venture technology in conjunction with shareholder marketing efforts. For example, marketing in certain countries may require a manufacturing license to local enterprise.\textsuperscript{148}

One approach for shareholder acquisition of joint venture intellectual property is to establish contractual guidelines allowing all shareholders equal access to specified technology. Some technology may only be made available to shareholders at certain milestones or upon termination of the joint venture. Some advanced or otherwise critical

\textsuperscript{147} John P. Karalis, International Joint Ventures: A Practical Guide 74 (1992)
technology may be available to shareholders but not for the sublicense. As shareholders acquire technology within these guidelines, they pay contractual rates to the joint venture. Any shareholder use of joint venture technology outside the contractual guidelines could be negotiated separately with the venture.\textsuperscript{149}

It is easier in theory than in practice to allocate the fruits of future technology development on the basis of factors such as whose technology the new developments are based on, who contributed personnel or labor to the effort, and whether the effort is joint or individual. In practice, general provisions like this, though they provide guidelines in principle, may do little to answer real-life ownership questions in the untidy context of joint venture product development. In such case it may be appropriate to plan for cross-licensing upon dissolution, giving each party equivalent intellectual property rights, perhaps garnished with royalties for use of each party’s base technology by the other. This gives each party more than it started with, but less than what the venture had: in a cross-licensing scheme, both parties will have only nonexclusive rights and hence may find themselves competing with one another. This head-to-head competition can tend to erode any price premium the former venture’s product may have commanded as a result of its technical superiority over competing third party products.\textsuperscript{150}

"Instead of determining in advance who will receive what technology upon dissolution, the parties may opt instead for a retrospective scheme based on choice, under

\textsuperscript{148}Id at 78
\textsuperscript{149}Id at 82
\textsuperscript{150}Id at 81
which the parties are given opportunities to purchase intellectual property rights from the venture. The parties can both be given options to purchase nonexclusive rights to the joint venture’s technology based upon appraised values, where if only one party exercises the option, it would receive exclusive rights by default. Alternatively, an auction scheme could be used to sell exclusive rights: this would eliminate the competition problem and return the highest price to the venture (and thus to the non-purchasing venturer).”

CHAPTER V

CONTRACTUAL PHASE

A. TERMS OF TRANSACTION

The technology transfer agreement should contain mutually acceptable contractual obligations. The UNCTAD in the International Code of Conduct on the Transfer of Technology recommended to include in the body of the contract a number of provisions which depend on particular circumstances such as: the stage of development of technology; the limitation of the supplying party’s resources and the nature of the economic relationship of the parties such as any ongoing or continuous flow of technology between the parties.\textsuperscript{152}

1. Access to Improvements

In the international transfer of technology transaction both parties should specify the availability to the access by any party for a specified period, or for the lifetime of the agreement, to improvements to the technology transferred under the agreement.\textsuperscript{153}

\textsuperscript{152} Id at 32

\textsuperscript{153} Id at 40
2. Confidentiality

Both parties to the international transfer of technology transaction should agree upon respecting the confidentiality of any trade secrets, secret know-how and all other confidential information received from the other party in connection with the transfer of technology, provided that this obligation shall not extend beyond an adequate lapse of time after the transition of each item of secret information and that after the trade secrets, secret know-how and other confidential information received have entered the public domain independently of the party.\textsuperscript{154}

3. Description of Technology and its Suitability for Use

The technology supplier should guarantee that the technology meets the description contained in the technology transfer agreement. The supplying party also should guarantee that the technology, if used in accordance with the supplier’s specific instructions given pursuant to the agreement, is suitable for manufacturing of goods or production of services as agreed upon by the parties and stipulated in the agreement.\textsuperscript{155}

\textsuperscript{154}Zeinab B. Karake, Technology and Developing Economies: The Impact of Eastern European Versus Western Technology Transfer 99-130 (1990)

\textsuperscript{155}Id at 132
Establishing the rights to the technology transferred a certain number of provisions should be taken into account. The transferor should certify that all material information regarding its technology rights has been fully disclosed to the transferee, subject to any accommodations made by the transferee in order to preserve the confidential integrity of the information.

The transferor should represent that it owns each of the technology rights free and clear of any encumbrances or licences to third parties. In those situations where the technology rights are used pursuant to a third party license, a representation should be provided stating that the transferor possesses the right to use those rights and that the transferee will also have similar rights.  

Since in many jurisdictions it is necessary that certain actions be taken to maintain the validity of various statutory technology rights, the transferor should certify that all foreign and domestic patents, copyrights, and trademarks are valid and in full force and effect and are not subject to any current taxes, maintenance fees, or similar actions. In addition, the transferee should clearly undertake to maintain the payment of future renewal fees and taxes.

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156 All the steps should be taken to ensure that full title and right of use of technology rights are conveyed in a technology transfer.

Both parties should address the possibility that the technology and confidential information will infringe upon the rights of a third party. Accordingly the transferor should represent that it has the right and authority to use each of the technology rights in connection with its business, that such use has not and will not conflict with, infringe upon, or violate any patent or other proprietary right belonging to any person; and that it has not infringed and is not now infringing any proprietary rights belonging to any other person. Moreover, the transferor should make it clear that there are no pending or threatened adverse claims concerning any of the technology rights, that there is no basis for any such claim, and that no similar claims have been received in the past.\textsuperscript{158} In those cases where local governmental approval or review of the technology transfer is required, the transferor should represent that all necessary governmental procedures have been completed.

Given many of the uncertainties associated with international patent protection, trade secrets may become the most important part of the technology transfer. The transferor should represent that all of its trade secrets are valid and protectable, are not publicly known, and have not been used, divulged, to otherwise appropriated for the benefit of any person other than the transferor. Also, a representation should be made to the effect that all documentation with respect to each material trade secret is accurate and

\textsuperscript{158}Generally, as most of the scholars note, the parties will need to clearly allocate responsibilities in the event that a third party infringes upon any of the technology rights. In most of the cases, issues arise as to which party is responsible for initiating any action against the infringer, which party is responsible for expenses of the action, whether the noninitiating party can joint in the litigation, which party is entitled to the benefits of any reward in the litigation, and finally, the rights of the transferee against the transferor in the event of any infringement action.
sufficient to permit its continued usage and development without the need to depend upon the skills of one or more specific employees.\footnote{J. W. Grove, In Defense of Science: Science, Technology and Politics In Modern Society 56, 68-91 (1998)}

Finally, the parties should address any concerns regarding the transferor’s further assignment or transfer of the technology rights, by license, operation of law, or otherwise, as well as the consequences of any termination of the business by sale, bankruptcy, government action, or otherwise, on the transferee’s rights. “Agreement on these points can be reached in the context of the overall remedies for any breach of the agreement by the transferor, perhaps by a reduction in the amount of royalties to take into account any diminution in the value of the technology rights or greater risks associated with reliance on the technology due to the breach of confidentiality situated.”\footnote{Alan S. Gutterman, A Legal Due Diligence Framework For Inbound Transfers Of Foreign Technology Rights, 24 Int’l Law. 976 (1998)}

5. Quality Level and Goodwill

This provision requires the technology recipient’s commitment to observe quality levels agreed upon in cases where the agreement includes the use of the supplier’s trade marks, trade names or similar identification of goodwill, and both parties’ commitment to avoid taking actions intended to injure the other’s goodwill or reputation.\footnote{Leonardo A. Coal, Politics and The Restrain of Science 31 (1994)}
6. Transmission of the Documentation

Transmission of the documentation is one of the main provisions that states the supplying party's commitment that relevant technical documentation and other data required from them for a particular purpose defined in terms directly specified in the agreement will be transferred in a timely manner as correctly and completely as agreed upon.\textsuperscript{162}

7. Training of the Personnel

Requires the party supplying the technology to provide adequate training to the personnel of the acquiring party or to the personnel designated by it, in the knowledge and operation of the technology, on terms stipulated in the agreement.\textsuperscript{163}

The above list of the terms of the transaction is by no means can be considered complete. However it gives the basic idea of the structure of the transaction regardless of the parties involved and its nature. The next important step is to outline the rights and obligations of the parties to the technology transfer.

\textsuperscript{162}Denis Goulet, The Uncertain Promise : Value Conflicts In Technology Transfer 42 (1993)

\textsuperscript{163}Id at 45
B. RESPONSIBILITIES AND OBLIGATIONS OF PARTIES

1. Acquiring Party

In the International Code of Conduct On The Transfer Of Technology it is recommended that the potential technology supplier should provide the other party in a timely manner with the specific information concerning the technical conditions and official economic and social development objectives as well as legislation of the acquiring country as far as the particular transfer and use of the technology under negotiation as far as such information is needed for the supplying party's responsiveness under this chapter.\(^{164}\)

2. Supplying Party

The most important obligations that the supplying party undertakes are related to the disclosure of the relevant information in general. The general understanding is that the potential supplying party should disclose, in a timely manner, to the potential technology acquiring party any reason actually known to him, on account of which the technology to be supplied, when used in accordance with the terms and conditions of the

\(^{164}\)See M. Buljic, International Protection of Intellectual Property and Foreign Investment, in Foreign Investment In the Present and A New International Economic Order 45-168 (DCKE, ed., 1994)
proposed agreement, would not meet particular health, safety and environmental requirements in the acquiring country.\textsuperscript{165}

The potential acquiring party, should also be informed to the actual extent known to the supplier of any limitation, including any pending official procedure or litigation which adversely concerns the existence of validity of the rights to be transferred, on his entitlement to grant the rights or render the assistance and services specified in the proposed agreement.

The supplying party, to the extent feasible, should take into account the request of the acquiring party to provide it for a period to be specified with accessories, spare parts and components produced by the supplying party and necessary for using the technology to be transferred, particularly where alternative sources are unavailable.\textsuperscript{166}

\textsuperscript{165}Dorothy Yelkins, Facilitating Access to Science and Technology 56-145 (1992)

\textsuperscript{166}UNCTAD, Conference On An International Code of Conduct On The Transfer Of Technology (1985), 19 I. L. M. 773
CHAPTER VI

CONCLUSION

In my work I have been trying to analyze some legal and political aspects of the structure that constitute the international transfer of technology transaction. Under the legal category there is a discussion of definitions and the scope of application of the international transfer of technology, parties to the transaction (transnational corporations and international technology joint ventures), as well as legal arrangements that constitute the transfer of technology. The main purpose, however, was to show the complexity of the transfer of technology all over the world. It is due not only to the fact that there are a number of different parties involved but also due to the absence of the uniformity of the national as well as international regimes.

As technology has become synonymous with power, it has become apparent that only it will be the major moving factor that is going to transform the face of the industrial world and of the international community in general. Therefore it is not erroneous to imply that technology transfer will become more and more dependent both on the system of intellectual property and science as well as economic policy. A number of the scholars have argued that currently the system operates in such a way as merely to prevent the transfer of technology due to the fact that the legislative field is clearly in a state of disorder. Rules and regulations are scattered over a range of different laws and do not
always represent binding legal rules but just easily, changeable policies. In any industrial
country, there is always going to be a contradiction between the domestic transfer of
technology and the international transfer of technology: very often states enact statutes
designed to enhance the flow of technology into the home country while hindering and
preventing its effective transfer outside the home country.

The solution of these problems lies in combining diplomatic and legal
mechanisms to enforce intellectual and industrial property rights in all the nations around
the world. The success of these attempts may very well create capital flow to the private
sector and help the process of the transfer of technology as well contribute to the progress
and development. In the long run, regardless of forms and methods that the technology
transfer takes place the goals of this kinds of transactions in domestic and international
contexts are similar. It is to enhance scientific knowledge, to facilitate greater
productivity and, thus, to generate a new wealth.
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