

COMMENT

Donald R. Andersen*

My comments on the Mexican Law on Inventions and Trademarks will be primarily directed to the doctrinal changes in the law of inventions.

The Mexican Law on Inventions and Trademarks provides the inventor the opportunity to apply for a certificate of invention as an alternative to an application for a patent.¹ However, in certain cases, notably chemical compounds and processes, only certificates of invention are available.² It is to these cases that my observations are directed.

The principal difference between a patent and a certificate of invention is that a patent provides the *exclusive* right to make, use and sell the invention. A certificate of invention permits the inventor to collect royalties, but does not permit the inventor to exclude others from practicing the invention. The certificate of invention is a form of protection for intellectual property which is gaining acceptance among the developing countries. The Paris Convention on the Protection of Industrial Property³ was amended at Stockholm in 1967 to provide reciprocal rights under the treaty to those countries which have traditionally offered certificates of invention, if those countries would also provide patent protection.⁴ A next step suggested by the proponents of change in the Paris Convention is complete reciprocity with those countries that offer one certificates of invention.⁵

Stated generally, the reason for providing patent protection is to

* Associate, Jones, Thomas & Askew, Atlanta; Member, Georgia Bar; registered to practice before the U.S. Patent and Trademark Office; B. Eng. Sci., Georgia Institute of Technology, 1973; J.D., University of Georgia School of Law, 1976.

¹ Law on Inventions and Trademarks, Diario Oficial, Feb. 10, 1976, art. 3.

² *Id.* art. 65.

³ Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as revised Dec. 14, 1900 (Brussels), June 2, 1911 (Washington), Nov. 6, 1925 (The Hague), June 2, 1934 (London), Oct. 31, 1958 (Lisbon), July 14, 1967 (Stockholm), [1970] 2 U.S.T. 1583, T.I.A.S. No. 6923, [1973] 2 U.S.T., T.I.A.S. No. 7727, reprinted in 6 INT'L LEGAL MAT'LS 806 (1967) (entered into force for United States Sept. 5, 1970, with exception of arts. 1-12, which entered into force for United States Aug. 25, 1973).

⁴ G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 58-60 (1968).

⁵ World Intellectual Property Organization (WIPO) Doc. No. P.R./G.E./3/2 (Feb. 11, 1976). (See Note on the Second Session of the Ad Hoc Group of Governmental Experts on the Revision of the Paris Convention, Dec. 15-22, 1975), 15 INDUSTRIAL PROPERTY 46 (January 1976, Monthly Review of the World Intellectual Property Organization).

promote the development of new and useful technologies. The development of a new and useful technology involves not only the fact of invention by the individual inventor, but also the development of the invention into an article of commerce which is capable of distribution in the marketplace in the finished state which is required to realize its utility. Often the capital investment in the commercial development of the initial invention is far greater than the cost of the act of invention itself.

A patent system fosters this commercial development of useful technologies in two ways: (1) the disclosure of the invention to the public in the patent publication makes the technological information available for further development by others; and (2) the patent owner's right to exclude others from making and selling the invention gives him an incentive to bear the expense of commercial development of the invention himself in the hope that he can increase his market share by patenting a commercially successful product. It is against both of these benefits to be expected from a patent system that the effects of an abandonment of patent exclusivity in favor of certificates of invention must be measured. The extent to which these benefits are realized depends upon the effectiveness of the commercial advantage conferred upon the inventor as an incentive for the disclosure and commercialization of his invention.

The effective commercial advantage conferred by the exclusive right to make and sell a new item of technology depends upon the sophistication of the technology and the general state of technological development in the market. In many developing countries, the introduction of a sophisticated technology does not require the grant of an exclusive legal right to keep competitors from duplicating the technology and thereby preventing the recovery of development costs or lessening the market share of the developer who introduces the commercially successful new technology. This result naturally obtains because the market forces for supply simply cannot be met from the existing technological capabilities of industry in the developing country.⁸ However, once the technological capability of the

⁸ See F. SCHERER, *INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE* 390 (1970). Professor Scherer states:

Since the amount of domestic inventive activity is modest in underdeveloped nations, one might expect the benefits of a patent system to be particularly small relative to the social cost of granting foreigners patent protection. Indeed, it is surprising that such countries offer patent rights. Professor Machlup, FRITZ MACHLUP, "PATENTS," *INTERNATIONAL ENCYCLOPEDIA OF THE SOCIAL SCIENCES*, vol. 11, 465,

other potential competitors in the market rises to the point required to duplicate the commercially successful technology or the sophistication of the technology is such that it can be duplicated by the existing basic industrial capabilities of the developing nation, then the need for a legal right to exclude others is greater in order to protect the investment of the developer and market share. In those developing countries in which the basic industrial capability is still low, it can be expected that the absence of exclusive legal rights will not deter a developer from developing new and useful (*i. e.*, commercially successful) technologies, and to that extent, a shift to certificates of invention should not affect the incentives for development by the inventor himself.

On the other hand, what is the incentive for disclosure by publication in a certificate of invention if such exclusive patent rights are not conferred? Will the prospect of royalties alone be sufficient to cause disclosure? Certainly the answer to the latter question can be made in the affirmative in the case of an inventor who does not intend to develop commercially the invention himself in the developing country. This group of inventors will include inventors of so called "paper inventions," as well as many inventors who would prefer to exploit their invention by licensing a local industry in the developing nation to manufacture and sell it, although the value of such necessarily nonexclusive licenses will be less than the value of the generally preferred exclusive license. Finally, the inventor who intends to introduce commercially the invention himself in developing countries will have no incentive to disclose it in a certificate of invention unless he is worried about duplication of the commercial product by competitors. In that event, he may not be willing to incur the cost of development anyway, since his market share and market advantage will merely be temporary, and he will have to settle for royalties from his competitors to offset the cost of and to provide an incentive for development.

471 (1968), attributes their membership in the International Union for the Protection of Industrial Property to pressures from industrialized nations and to prestige motives, suggesting that newly independent nations seem irrationally eager to "have the honor of paying higher prices for imported products." An alternative rationalization is that foreign firms are more willing to establish a base of operations in underdeveloped lands, importing their know-how in the process, if they can protect their position through patents. But this is not completely convincing, since markets in emerging nations are so imperfect and imitation is so sluggish that an efficient producer should be in a favorable position to realize normal and quite possibly even supranormal profits without the fringe benefit of patent protection.

Thus, as a bottom line, we find the incentives for development and disclosure intact in every case but one: the inventor who believes that the industrial capability of the developing country is such that his potential competitors could duplicate his technological advance and who will settle for nothing less than an increase in his existing share of the market to justify his own development and introduction of a new technology. Assuming that rational inventors, foreign or national, do not develop a new technology solely in order to realize the same profits from the same market share and that the additional value of royalties from competitors generally does not justify the cost of development, it can be seen that the effect of eliminating the inventor's exclusive rights will depend upon the extent that the industrial capabilities of the developing nation are perceived as a competitive threat. Hence, the effect of eliminating patent protection should not greatly diminish the incentives, of whatever significance they may now be, for the introduction of greatly advanced technology; however, it may stem the introduction and development of those technologies for which the developing nation has already developed a capacity.

The Mexican experience with the certificate of invention should provide valuable information regarding the effects of eliminating the exclusive right of the inventor to practice his invention commercially. A careful analysis of that experience should be helpful in determining whether, in fact, the absence of patent protection does not act as a deterrent to the transfer of highly sophisticated technologies into a developing country incapable of duplicating them; whether the technological growth of a developing country is slowed by an absence of active foreign and local participation in the development of technologies for which a local capacity has already been developed; and whether, in the long run, the effects of actual and perceived levels of technological capability in developing countries will generate a need for reinstatement of a patent-type exclusive right for inventors and developers.