LICENSING OF WESTERN TECHNOLOGY TO THE SOVIET BLOC

MUCH OF THE SUBJECT I AM GOING TO TALK ON TODAY I LEARNED ABOUT ON MY TRIP TO THE SOVIET UNION LAST YEAR AS A MEMBER OF THE FIVE-MAN U.S. DELEGATION IN THE 1970-1971 US/USSR EXCHANGE ON PATENT MANAGEMENT AND PATENT LICENSING. I SHOULD LIKE TO TELL YOU SOME OF THE THINGS WE FOUND OUT ON OUR TRIP WHICH RELATE TO, AND PROVIDE THE BACKGROUND FOR, THE LICENSING OF TECHNOLOGY. THE REPORT OF OUR DELEGATION HAS BEEN PUBLISHED BY THE LICENSING EXECUTIVES SOCIETY WHICH CO-SPONSORED OUR TRIP.*

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ANY DISCUSSION OF LICENSING TECHNOLOGY TO THE USSR MUST INCLUDE CONSIDERATION OF THE SOVIET VIEW OF PATENTS. WE FOUND, SOMEWHAT TO OUR SURPRISE, THAT THE SOVIET UNION HAS WHAT SOME HAVE CALLED THE STRONGEST PATENT SYSTEM IN THE WORLD. THIS HAS BEEN A COMPARATIVELY RECENT DEVELOPMENT WITH THE BASIC STATUTES FOR THE PRESENT SOVIET PATENT SYSTEM BEING ENACTED IN 1959 AND 1961.

AT THAT TIME THE SOVIET GOVERNMENT MADE A POLICY DECISION THAT THE PATENT SYSTEM, BOTH IN THE SOVIET UNION AND IN FOREIGN COUNTRIES, CAN BE AN IMPORTANT SOURCE OF NEW TECHNOLOGY FOR SOVIET INDUSTRY. WITHIN THEIR SYSTEM THEY HAVE SET UP A PROGRAM OF SUBSTANTIAL INCENTIVES FOR SOVIET INVENTORS AND, AS THE SOVIETS TOOK SOME PLEASURE IN POINTING OUT TO US, THEIR SYSTEM PROVIDES MORE INCENTIVES FOR THE EMPLOYED INVENTOR THAN DOES THE AMERICAN SYSTEM. IN THE SOVIET UNION, OF COURSE, "EMPLOYED" INVENTORS MEANS ALL INVENTORS. IT SHOULD BE NOTED, HOWEVER, THAT IN THE U.S. AN EMPLOYED INVENTOR MAY LEAVE HIS EMPLOYER AND SET UP HIS OWN BUSINESS, AND THERE ARE INDEPENDENT INVENTORS IN OUR COUNTRY WHO MAY LICENSE OTHERS FOR SUBSTANTIAL RETURNS.

FOR EXAMPLE, IN THE SOVIET UNION AN INVENTOR CAN GET CASH AWARDS OF UP TO THE EQUIVALENT OF $22,000 DEPENDING ON THE USE OF THE INVENTION BY THE STATE. THE INVENTOR CAN ALSO RECEIVE ADDITIONAL MONEY FROM THE PARTICULAR ORGANIZATION EMPLOYING HIM, IN THE FORM OF SPECIAL BONUSES, IF HE CONTRIBUTES TO COMMERCIALIZING THESE PRODUCTS.

IN ADDITION TO MONETARY REWARDS, THERE ARE ALSO OTHER INCENTIVES. AS YOU MAY KNOW, THE TYPE OF HOUSING A PERSON HAS IN THE SOVIET SYSTEM DEPENDS ON HIS IMPORTANCE TO THE SYSTEM. IF A CITIZEN'S INVENTIONS ARE FOUND TO HAVE MERIT, THE SUCCESSFUL INVENTOR IS REWARDED WITH A BIGGER AND BETTER APARTMENT. ANOTHER INCENTIVE IS THAT A PARTICULARLY GOOD INVENTOR CAN RECEIVE A TITLE FROM THE STATE GOVERNMENT, AS OPPOSED TO THE FEDERAL GOVERNMENT. THIS TITLE IS "DISTINGUISHED INVENTOR" AND APPARENTLY IS HIGHLY REGARDED.

IN ADDITION, AN INVENTOR MAY HAVE HIS INVENTION NAMED AFTER HIM. A WELL-KNOWN BRAKE IN THE SOVIET UNION IS CALLED MATROSOV'S BRAKE.

PICTURES OF OUTSTANDING EMPLOYEES ARE PROMINENTLY DISPLAYED BOTH INSIDE AND OUTSIDE FACTORIES, AND OFTEN INCLUDE RENOWNED INVENTORS.

AS YOU KNOW, MOST U.S. CORPORATIONS GIVE INVENTORS TOKEN AWARDS OF $100 OR LESS WITH A FEW COMPANIES GIVING MORE SUBSTANTIAL AWARDS, SO THE SOVIET STATEMENTS COMPARING INCENTIVES DO NOT SEEM OUT OF LINE.

AS FURTHER EVIDENCE OF THEIR INVOLVEMENT IN THE PATENT SYSTEM, THE SOVIET UNION HAS OVER 7,000 RESEARCH AND INDUSTRIAL PATENT DEPARTMENTS, COMPARABLE TO U.S. CORPORATE PATENT DEPARTMENTS. THE TOTAL MEMBERSHIP OF THE AMERICAN BAR ASSOCIATION'S PATENT, TRADEMARK AND COPYRIGHT SECTION, WHICH INCLUDES A NUMBER OF ATTORNEYS WHO ARE INVOLVED IN TRADEMARKS AND COPYRIGHTS, NOT PATENTS, WAS ONLY 4,096 AS OF MARCH 31, 1972. THUS, THE SOVIETS HAVE MANY MORE PATENT DEPARTMENTS AND PROFESSIONAL PATENT PEOPLE THAN THE UNITED STATES.

THE SOVIETS HAVE DEVELOPED A TWO-PART INVENTION SYSTEM. ONE PART IS A PATENT SYSTEM SIMILAR TO THAT OF WESTERN COUNTRIES IN WHICH SOVIET CITIZENS OR FOREIGNERS MAY APPLY FOR A PATENT

WHICH HAS MANY OF THE LEGAL CHARACTERISTICS OF PATENTS IN THIS COUNTRY.

THE SECOND PART OF THE SYSTEM, WHICH IS MORE IMPORTANT FROM THE SOVIET CITIZEN'S VIEWPOINT, IS THE INVENTOR'S CERTIFICATE. UNDER THIS ARRANGEMENT, THE INVENTOR ASSIGNS HIS INVENTION TO THE STATE AND RECEIVES THE REWARDS I MENTIONED EARLIER. THE INVENTOR'S CERTIFICATE AND THE PATENT ARE BOTH EXAMINED IN THE SAME WAY IN THE USSR PATENT OFFICE. BOTH MUST COME UP TO THE SAME STANDARD OF INVENTION OVER THE PRIOR ART AND BOTH WILL CARRY THE SAME PRESTIGE WHEN FORMALLY ISSUED BY THE SOVIET PATENT OFFICE. AN IMPORTANT DISTINCTION BETWEEN THEM, HOWEVER, IS THAT THE INVENTOR'S CERTIFICATE APPLICATION IS REFERRED TO TECHNICAL EXPERTS ON THE SUBJECT FOR THEIR COMMENTS AND OPINIONS BEFORE ISSUANCE TO DETERMINE THE WORTH OF THE INVENTION. THIS IS NOT DONE WITH PATENT APPLICATIONS.

IF THE INVENTION COVERED BY THE INVENTOR'S CERTIFICATE IS REGARDED HIGHLY IT IS THE DUTY OF THE STATE, WHICH OWNS IT, TO SEE THAT THE INVENTION IS USED. SINCE PATENTS ARE NOT OWNED BY THE STATE, THERE IS NO OBLIGATION TO SEE THAT THEY ARE PUT

INTO PRACTICE.

THE SOVIETS HAVE A SYSTEM TO SPECIFICALLY MONITOR AND ENCOURAGE THE USE OF THESE INVENTOR'S CERTIFICATE INVENTIONS. IF SOMEONE IS NOT USING AN INVENTION WHICH IS PERTINENT TO HIS AREA OF INDUSTRY, HE MUST HAVE A GOOD REASON.

THE SOVIETS REGARD THE ACT OF ISSUANCE OF A PATENT OR INVENTOR'S CERTIFICATE AS A STATEMENT BY THE STATE THAT THE INVENTION HAS MERIT AND IS NOVEL OVER THE PRIOR ART. THIS OFFICIAL GOVERNMENT POSITION IS USEFUL BOTH IN LICENSING AND SELLING TO THE SOVIET UNION.

IT IS NOT THE FUNCTION OF THE SOVIET COURT TO DECIDE WHETHER THE EXECUTIVE BRANCH, THE PATENT OFFICE, HAS MADE AN ERROR. THE COURT'S JOB INSTEAD IS TO INTERPRET WHAT THE EXECUTIVE BRANCH HAS DONE. THUS, PATENT VALIDITY DOES NOT APPEAR TO BE A SERIOUS PROBLEM IN THE SOVIET UNION. ONCE THE PATENT IS ISSUED, THE PRESUMPTION OF VALIDITY MAY BE NEARLY IMPOSSIBLE TO OVERCOME.

WITH RESPECT TO LICENSING, WHILE SOVIET DEMAND FOR WESTERN PRODUCTS WILL UNDOUBTEDLY INCREASE OVER THE NEXT DECADE, MANY

PEOPLE BELIEVE THAT THE USSR MARKET FOR WESTERN TECHNOLOGY WILL GROW AT AN EVEN FASTER RATE.

APPARENTLY SOVIET PLANNERS HAVE DECIDED THAT IT IS EASIER TO BUY NEW TECHNOLOGY THAN GO TO THE TIME AND EXPENSE OF EITHER DEVELOPING IT THEMSELVES OR COPYING IT, WHICH MAY RESULT IN A PRODUCT ALREADY OBSOLETE BY THE TIME IT IS INTRODUCED.

THE USSR ALSO FEELS IT WILL NOT BE ABLE TO GET WESTERNERS TO PAY FOR ACCESS TO SOVIET TECHNOLOGY AND PATENT RIGHTS IF THEY DO NOT RESPECT AND PAY FOR THE TECHNOLOGY AND PATENT RIGHTS OF OTHERS.

IN THE PAST THE SOVIETS HAVE NOT HAD MUCH SUCCESS IN LICENSING WITH THE U.S. THERE ARE A NUMBER OF THINGS THEY DO NOT UNDERSTAND ABOUT OUR U.S. LICENSING PRACTICES. THUS, ONE OF THE MAIN PURPOSES OF OUR EXCHANGE WAS TO DISCUSS U.S. LICENSING WITH THEM AND FOR THEM TO DISCUSS SOVIET LICENSING WITH US.

THE SOVIET LICENSING PEOPLE HAVE HAD SUBSTANTIAL EXPERIENCE WITH OTHER SOCIALIST COUNTRIES AND A FAIR AMOUNT OF EXPERIENCE WITH OTHER WESTERN COUNTRIES. WHILE IT IS DIFFICULT FOR THE

SOVIETS TO UNDERSTAND OUR LICENSING PRACTICES, IT IS ALSO DIFFICULT FOR AMERICANS TO UNDERSTAND THEIRS.

ONE OF THE BIGGEST PROBLEMS FACING THE U.S. IS HOW TO FIND A POTENTIAL CUSTOMER OR LICENSEE IN THE SOVIET UNION. THIS WAS ONE OF THE MAJOR POINTS OF OUR DISCUSSIONS WITH THE SOVIETS AND I THINK WE MADE SUBSTANTIAL PROGRESS. THERE ARE SEVERAL POSSIBLE WAYS TO GO ABOUT THIS, AND USUALLY THEY SHOULD BE DONE CONCURRENTLY.

AS SOME OF YOU MAY KNOW, THE SOVIET UNION HAS SET UP TRADE ORGANIZATIONS WITH SPECIFIC RESPONSIBILITIES. FOR EXAMPLE, ONE ORGANIZATION IS LICENSINTORG, WHICH IS PART OF THE MINISTRY OF FOREIGN TRADE AND WHICH HAS THE RESPONSIBILITY FOR HANDLING LICENSING BOTH INTO AND OUT OF THE SOVIET UNION. UPON INVESTIGATION WE LEARNED HOWEVER THAT A NUMBER OF OTHER ORGANIZATIONS MAY ALSO GET INVOLVED IN LICENSING. LICENSINTORG IS CLEARLY INVOLVED IF THE LICENSE IS WHAT MIGHT BE CALLED A PURE LICENSE IN WHICH NO EQUIPMENT OR PLANTS ARE TO BE FURNISHED AND THE LICENSE DEALS PRIMARILY WITH PATENTS AND ASSOCIATE TECHNOLOGY.

HOWEVER, EVEN WHEN LICENSINTORG IS NOT THE PRIMARY NEGOTIATOR, IT OFTEN ASSISTS IN THE NEGOTIATIONS WHEN PATENTS AND TECHNOLOGY ARE INVOLVED.

AS YOU KNOW, THE INDUSTRIAL STRUCTURE OF THE SOVIET UNION IS DIVIDED INTO A NUMBER OF MINISTRIES, EACH OF WHICH HAS JURISDICTION OVER A CERTAIN INDUSTRY OR TECHNOLOGY. IF YOU CAN IDENTIFY WHICH MINISTRY IS INVOLVED, IT SHOULD BE CONTACTED DIRECTLY.

IF THE PROPOSED ARRANGEMENT INVOLVES TECHNOLOGY, THE STATE COMMITTEE ON SCIENCE AND TECHNOLOGY SHOULD BE APPROACHED. IF SOVIET PATENTS ARE TO BE LICENSED, THE COMMITTEE ON INVENTIONS AND DISCOVERIES, WHICH IS SUBORDINATE TO THE STATE COMMITTEE ON SCIENCE AND TECHNOLOGY, SHOULD ALSO BE CONTACTED. IF THE LICENSE IS A PURE KNOW-HOW LICENSE WITH NO PATENTS INVOLVED, AN ORGANIZATION KNOWN AS VNESHTECHNICA SHOULD BE CONTACTED. ON THE OTHER HAND IF THE ITEM OFFERED IS A COMPLETE TURN-KEY PLANT OR EQUIPMENT FOR A PROCESS, THE APPROPRIATE FOREIGN TRADE ORGANIZATION, (SUCH AS PROMASHIMPORT, TECHMASHIMPORT, MASHINOIMPORT, TECHNOPROMIMPORT, ETC.) SHOULD BE CONTACTED.

LICENSINTORG CAN BE CONTACTED EITHER IN MOSCOW OR THROUGH ITS VARIOUS AGENTS INCLUDING THOSE RESIDENT IN THE U.S.

IN LICENSING TO THE SOVIET UNION YOU SHOULD BE PREPARED TO SPEND A SUBSTANTIAL AMOUNT OF TIME IN DETAILED NEGOTIATIONS, WHICH SHOULD NOT BE REGARDED AS MERELY A MATTER OF ROUTINE. SOVIET BUSINESSMEN VIEW THEM AS QUITE IMPORTANT AND, WHEN AN AGREEMENT IS FINALLY REACHED, THE SOVIETS WILL LIVE UP TO THE LETTER OF THE AGREEMENT AND WILL EXPECT THE SAME FROM YOU.

SOME OF THEIR AGREEMENTS HAVE SEVERE PENALTY CLAUSES. THERE IS ONE CLAUSE, FOR INSTANCE, THAT MAY BE USED WHEN THE LICENSOR HAS BUILT A PLANT IN WHICH TO USE THE LICENSED TECHNOLOGY. THIS CLAUSE STIPULATES THAT IF THE TECHNOLOGY DOES NOT WORK PROPERLY, THE LICENSOR MUST DISMANTLE THE PLANT AND PUT THE LAND BACK IN THE CONDITION IT WAS BEFORE CONSTRUCTION BEGAN. NEEDLESS TO SAY THE SEVERITY OF SUCH A PENALTY ASSURES THE BEST EFFORTS OF THE LICENSOR.

THE PEOPLE WITH WHOM I HAVE TALKED IN WESTERN EUROPE HAVE FOUND THAT THE SOVIETS WILL LIVE UP TO THE LETTER OF A BUSINESS

AGREEMENT AND WILL MAKE PAYMENTS PROMPTLY. WE ARE AWARE OF ONLY ONE CASE IN WHICH THEY DID NOT MAKE THE LICENSE PAYMENTS AND THAT WAS BECAUSE THEY FELT THE TECHNOLOGY DID NOT WORK AND THAT PAYMENTS WERE NOT JUSTIFIED.

ONE CONCERN FREQUENTLY EXPRESSED BY WESTERNERS IS THAT IF YOU LICENSE YOUR TECHNOLOGY TO ONE OF THE SOVIET BLOC COUNTRIES, THE OTHER COUNTRIES WILL THEN HAVE READY ACCESS TO IT. THIS HAS NOT HAPPENED IN THE PAST AND FOR A NUMBER OF REASONS IT SEEMS EVEN LESS LIKELY TO HAPPEN IN THE FUTURE.

FIRST, SOVIET FACTORIES NOW OPERATE MORE ON A PROFIT BASIS THAN IN THE PAST. IF THEY PASS FOR WESTERN TECHNOLOGY THEY ARE NOT LIKELY TO DISCLOSE THIS TECHNOLOGY TO THE"COMPETITION" IN OTHER SOCIALIST COUNTRIES. THE LICENSED TECHNOLOGY PERMITS THE LICENSEE TO MAKE A BETTER PRODUCT THAN OTHER ENTERPRISES, WHICH INCREASES HIS CHANCES OF EXPORTING TO OTHER SOCIALIST COUNTRIES. THIS GIVES HIM AN ADVANTAGE HE WILL NOT WANT TO GIVE UP, BUT AN ADVANTAGE HE WOULD LOSE IF THE OTHER SOCIALIST COUNTRIES SHOULD HAVE ACCESS TO THE LICENSED TECHNOLOGY.

SO FAR MOST OF THE LICENSING ARRANGEMENTS IN THE SOVIET

UNION INVOLVE CONSTRUCTION OF AN ENTIRE PLANT BY A GROUP ASSEMBLED BY THE LICENSOR OF THE TECHNOLOGY INVOLVED. FOR EXAMPLE, A CHEMICAL COMPANY TRYING TO LICENSE TECHNOLOGY TO THE USSR WILL FIND THAT IT IS EXPECTED TO BUILD A PLANT TO HOUSE ITS TECHNOLOGY AND GET IT IN FIRST CLASS OPERATING CONDITION AS PART OF THE ARRANGEMENT. THIS IS UNUSUAL IN U.S. LICENSING, SINCE LICENSORS USUALLY DO NOT BUILD PLANTS FOR LICENSEES UNLESS THEY ARE IN THE CONSTRUCTION BUSINESS.

THE SOVIETS SAY THERE IS NOTHING IN THEIR SYSTEM TO PREVENT A VARIETY OF LICENSE ARRANGEMENTS AND NEARLY ANY ARRANGEMENT WHICH IS USED IN WESTERN LICENSING CAN BE USED IN SOVIET LICENSING IF CIRCUMSTANCES WARRANT. FOR EXAMPLE, THEY SAY IT IS POSSIBLE TO HAVE A CLAUSE WHEREIN THE U.S. LICENSOR MAY HAVE AN AUDITOR AUDIT THE BOOKS OF THE SOVIET ENTERPRISE IN ORDER TO MAKE SURE THE PROPER ROYALTIES ARE BEING PAID. WHILE THIS IS ROUTINE PRACTICE IN THE U.S., IT DEFINITELY IS NOT YET ROUTINE IN THE USSR.

MOST LICENSE PAYMENTS FROM THE USSR TO WESTERN LICENSORS HAVE BEEN LUMP SUM PAYMENTS WHICH MAY, IN SOME CASES, BE SPREAD

OUT OVER A NUMBER OF YEARS. THE SOVIETS SAY THERE IS NO REASON WHY, UNDER THE APPROPRIATE CIRCUMSTANCES, A LICENSE CANNOT PROVIDE A RUNNING ROYALTY BASED ON PRODUCTION AND, IN THEORY, EVEN BASED ON NET SELLING PRICE OR ON COST. COSTS, HOWEVER, WOULD BE VERY DIFFICULT TO DETERMINE.

THE SOVIETS WILL OBJECT TO A FORCE MAJEURE CLAUSE COVERING LABOR DISPUTES AS THEY DO NOT REGARD A LABOR DISTURBANCE AS SUFFICIENT CAUSE TO BRING A FORCE MAJEURE CLAUSE INTO EFFECT.

INTERESTINGLY ENOUGH THE SOVIETS SAY THAT, IF CONSIDERED USEFUL, AN EXCLUSIVE LICENSE CAN BE GRANTED TO ONE PARTICULAR ENTERPRISE OR PLANT AND THAT A NUMBER OF NON-EXCLUSIVE LICENSES ON THE SAME SUBJECT CAN BE GRANTED TO SEVERAL SOVIET ENTERPRISES.

THE TERM OF MOST LICENSE AGREEMENTS IS BETWEEN EIGHT AND TWELVE YEARS.

IN NEGOTIATIONS WITH THE SOVIETS YOU MUST KEEP IN MIND THAT A NUMBER OF ORGANIZATIONS MAY HAVE RESPONSIBILITY FOR SOME PART OF THE OPERATION. YOU WILL HAVE TO DEAL WITH WHAT WE WOULD NORMALLY THINK OF AS GOVERNMENT EMPLOYEES, SUCH AS LICENSINTORG AND THE VARIOUS MINISTRIES OF FOREIGN TRADE, AS WELL AS WHAT WE

WOULD REGARD AS INDUSTRIAL CONCERNS, THE SOVIET "ENTERPRISE" WHICH IS THE ORGANIZATION TO ACTUALLY USE THE TECHNOLOGY.

UNTIL RECENTLY NEARLY ALL NEGOTIATIONS FOR LICENSE AGREEMENTS HAVE TAKEN PLACE IN MOSCOW. THE SOVIETS SAY THERE IS NO THEORETICAL REASON WHY NEGOTIATIONS CANNOT TAKE PLACE IN OTHER COUNTRIES BUT THIS HAS NOT BEEN A PRACTICE.

IN OUR VISIT TO THE USSR WE WERE IMPRESSED BY THE NUMBER OF STATEMENTS THAT THE SOVIET UNION IS VERY INTERESTED IN LICENSING BOTH TO AND FROM THE U.S. PEOPLE SUCH AS D. M. GVISHIANI DEPUTY CHAIRMAN OF THE STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, NICOLAY SMELYAKOV, DEPUTY MINISTER OF FOREIGN TRADE AND Y. E. MAKSAREV, CHAIRMAN OF THE COMMITTEE ON INVENTIONS AND DISCOVERIES, REPEATEDLY EMPHASIZED THIS. THEY REALIZED THAT THERE HAVE BEEN DIFFICULTIES IN COMMUNICATING BETWEEN POTENTIAL LICENSORS AND POTENTIAL LICENSEES AND EMPHASIZED THAT A NUMBER OF CONTACTS SHOULD BE ATTEMPTED IN ORDER TO GET THROUGH TO THE PROPER PARTIES.

ONE TECHNIQUE WHICH SHOULD BE USED IN LICENSING TECHNOLOGY TO THE USSR IS TO EXHIBIT THE TECHNOLOGY AT ONE OF THE MANY EXHIBITIONS OR TRADE FAIRS GIVEN EACH YEAR IN THE SOVIET UNION.

THESE EXHIBITIONS ARE REGARDED AS MUCH MORE IMPORTANT IN THE SOVIET UNION THAN THEY ARE IN THE UNITED STATES AND BOTH PRODUCTS AND TECHNOLOGY ARE PURCHASED AT THESE FAIRS.

PRESENTATIONS CAN ALSO BE GIVEN TO AGENTS OF SOVIET ORGANIZATIONS OUTSIDE MOSCOW.

ONE INTERESTING POINT OF DISCUSSION WAS THE SOVIET'S PUZZLEMENT ABOUT DETERMINING WHETHER A SOVIET-OWNED U.S. PATENT IS BEING INFRINGED, A PROBLEM AMERICAN PATENT OWNERS OFTEN FIND DIFFICULT TO SOLVE. WE WERE ALSO PUZZLED ABOUT HOW INFRINGEMENT OF A U.S.-OWNED SOVIET PATENT CAN BE DETERMINED IN THE SOVIET UNION. THE SOVIETS POINTED OUT THAT THE COMMITEE FOR INVENTIONS AND DISCOVERIES HAS, AMONG OTHER THINGS, THE RESPONSIBILITY FOR SEEING THAT TECHNOLOGY IS USED. THE COMMITTEE KNOWS WHAT TECHNOLOGY IS USED IN THE SOVIET UNION AND THE STATE WOULD NOT PERMIT A SOVIET PATENT TO BE INFRINGED.

THE SOVIETS POINTED OUT THAT A NEW PRODUCT IS SEARCHED BEFORE INTRODUCTION TO SEE WHETHER IT INFRINGES ANY INVENTOR'S CERTIFICATES OR PATENTS. PART OF THE REASON FOR THIS SEARCH IS THAT THE GOVERNMENT AND INVENTOR ORGANIZATIONS APPARENTLY ARE QUITE STRICT

ABOUT MAKING SURE THE INVENTOR GETS HIS APPROPRIATE REWARD. THUS, IF A PRODUCT INVOLVES THE INVENTION OF SOMEONE ELSE, THE SEARCH WILL DISCOVER THIS AND APPROPRIATE PAYMENT WILL BE MADE. IF IN THEIR SEARCH THE GOVERNMENT AND INVENTOR ORGANIZATIONS UNCOVER SOVIET PATENTS OWNED BY FOREIGNERS, THEY WILL NOT PERMIT A SOVIET PATENT TO BE INFRINGED. THEY WILL AVOID THE INVENTION BY USING MODIFIED TECHNOLOGY, THEY WILL PAY A ROYALTY TO THE PATENT OWNER OR THEY WILL CEASE TO MAKE, USE OR SELL THE PATENTED INVENTION.

IN CONCLUSION, WE FOUND THE SOVIET UNION WITH A VERY ACTIVE INVENTION SYSTEM, WHICH HAS SUBSTANTIAL INCENTIVES FOR THEIR INVENTORS. THEY ARE APPARENTLY EAGER TO ENCOURAGE TECHNOLOGY TRANSFER BETWEEN THE UNITED STATES AND THE USSR, WITH TWO PRIMARY OBJECTIVES. FIRST TO GET ACCESS TO OUR TECHNOLOGY AND, SECOND, TO GET A DIRECT RETURN ON THEIR OWN NOT INCONSIDERABLE DEVELOPMENTS. I BELIEVE WE WILL SEE SUBSTANTIAL INCREASE IN LICENSING BETWEEN OUR TWO COUNTRIES IN THE YEARS TO COME.