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Addendum

**FUNDING OF TECHNOLOGY THAT IS NOT IN THE PUBLIC DOMAIN:
FOLLOW-UP TO DECISION 37/62**

This addendum is issued to:

- **Add** comments received by e-mail from the World Intellectual Property Organisation on 13 November 2002.

“Further to our various exchanges on the intellectual property questions faced by the UNMFS, I would like to offer some expanded and amended comments. You have encapsulated the concerns in two questions:

“When the Fund is considering providing funding for a technology to be implemented in a particular country, and that technology is not in the public domain (because either the owner does not wish to release it or it has not yet been published as part of a patent application process), what measures does the Fund need to take to ensure that, if funded, the use of the technology will not be in non-conformity with any WIPO/TRIPS provisions?”

“Secondly, if a patent application has been finalised in the country of interest, then the technology is in the public domain and it will have been indicated in the patent process whether the technology does or does not infringe another technology already patented in the jurisdiction. If it does not, once again, are there any additional WIPO/TRIPS requirements of which the Fund or its agents needs to take account.”

Before addressing the questions directly, I should set out some of the background legal matters. Firstly, the question of conformity with WIPO conventions or TRIPS provisions is not directly at issue. While these international agreements do set general standards and principles, they are standards and principles that are applied in national (and in some cases, regional) laws, particularly intellectual property laws. In practice, the issues raised by your questions are best considered in the context of national intellectual property laws (or on breach of confidentiality, which is recognized as in effect an intellectual property right under TRIPS). The TRIPS Agreement and WIPO conventions are therefore not directly applicable to this situation; it is a matter of whether the proposed funded use falls foul of national laws that reflect or implement TRIPS and other international conventions.

Hence the strictly legal issues are reasonably straightforward. It is central to international patent law that individual patent rights are:

- granted at a national or regional level (there is no private international patent right that can be enjoyed or exercised beyond the scope of domestic or regional law),
- independent of one another (certain procedural rights apart, to apply for or be granted a patent in one country does not directly create an entitlement to equivalent patent rights in another country, and invalidating a patent in one country does not invalidate it elsewhere), and
- enforceable only within the bounds of the jurisdiction in which they are granted (so that the grant of a patent in one country creates no rights to prevent others from using any of the patented subject matter elsewhere).

As a consequence, it is entirely possible for the owner of a patent in one country to be barred from using the same patented technology in another country where a similar patent may be in force (this may come about through assignment of the patent right, grant of an exclusive license, or independent development of the same invention in the second country). Put another way, it is possible that even a person who is entitled to make use of a patented invention in one country (because they own the patent, or have a license under it) may not be able to use it in another country – in the event that they do not own or have a license under the

The existence of a patent right in one country gives no capacity to restrain use of the invention in any other country. (Of course, the situation is slightly different for regional patents, such as European patents, but in this case their reach cannot go beyond the countries within the regional system). If there is no patent in force in a particular country, then patent rights elsewhere are irrelevant for use of the invention

in that country (of course licensing and other constraints may well apply, and subsequent importation or delivery of services into a country where patent rights do apply would be problematic). International treaties such as TRIPS and WIPO treaties do not make patent rights granted in one country enforceable elsewhere; the technology's owners have to take specific steps to gain patent protection in each of the countries or regions in which they wish to benefit from patent rights.

Legally, then, the situation is clear. If the UNMFS decides to back a technology for use in one country, when the technology is protected by a patent in another country but is unpatented in the country of use, then there should be no constraint, no more than driving on the right hand side of the road in Switzerland breaches the rules of the road in Britain. Aside from any contractual obligation, there should be no legal or moral impediment to using or financing technology that is not the subject of in-force patent rights in the country of use, even if there are patents in force elsewhere.

Your questions also touch on the issue of whether technology is 'in the public domain.' This can be interpreted two ways: either the technology has been published, in that knowledge about the technology has been made publicly available; or the technology is not subject to the applicable IP rights (typically, either patent rights or the constraints of confidentiality) which would constrain its use or further disclosure. In the first sense, of knowledge about the technology being publicly available, almost all technology for which patent rights are sought is published from about 18 months from the time the first patent application is filed. This is normally long before a patent right is actually granted – this varies greatly, but can take three to five years from the first filing date – when the patent is published again, in the form in which it is approved. In other words, it is normally possible for any member of the public to get access to the detailed description of technology well before the patent right is granted, and normally around 18 months from the date of the first application for patent rights. Of course, the question of whether technology is 'in the public domain' in the other sense – the sense of being available for use by the public – depends on whether, and crucially where, applicable intellectual property rights exist.

Technology which is treated as a trade secret or confidential knowhow is by contrast not in the public domain in either sense – knowledge about it is not made available to the public, and accordingly the public cannot use it (although any member of the public who develops the technology without breaching an obligation of confidentiality – such as through reverse engineering or independently inventing it – can of course use it.)

It is important to bear in mind, also, that most 'technologies' are composite in practice, and can comprise both patented technology and confidential knowhow, and can be covered by rights held by different owners. The successful implementation of one patented technology may require negotiating the rights to use a related technology covered by a separate patent owned by a third party. In other words, just because a technology is covered by a patent, this does not mean that the owner of the technology or of the patent is at liberty to use the technology – because use of the technology may well infringe someone else's patent rights (or other rights). In short, whether or not the owner of a candidate technology also holds IP rights, such as patent rights, does not determine whether the owner is free to use the technology without infringing other parties' IP rights.

A patent right is not a positive right to exploit a technology; it is, rather, a right to exclude others from using the protected technology. Hence patent holders may well have to negotiate 'freedom to operate' with other parties who hold patent rights before they can actively exploit their own patent.

Accordingly, it may be less important to consider whether technology is 'in the public domain' or not as to consider:

- Whether or not it has been publicly disclosed (if it has been disclosed, it cannot then be subject to confidentiality/trade secret protection)
- Whether or not patent rights cover the technology, either currently or in the future

- Who owns relevant patent rights (including patent rights on the technology itself, and patent rights that might be relevant to the implementation of the technology), and where those patent rights apply.

With this background, let me address your two questions.

“When the Fund is considering providing funding for a technology to be implemented in a particular country, and that technology is not in the public domain (because either the owner does not wish to release it or it has not yet been published as part of a patent application process), what measures does the Fund need to take to ensure that, if funded, the use of the technology will not be in non-conformity with any WIPO/TRIPS provisions?”

On this question, much depends on whether it is the ‘owner’ who would be funded to implement the technology, and – if it is not the ‘owner’ – whether the implementation of the technology is to be undertaken in a jurisdiction in which the owner has actual or potential rights, or elsewhere.

- (i) If it is indeed the ‘owner’ who is to be funded, then the question of compliance with TRIPS or WIPO provisions does not directly arise, and instead it is a question of whether in implementing the technology the owner would breach anyone else’s IP rights – for instance, patent rights over background technologies required to implement the technology. Whether the owner has sought, or acquired, patent rights is not in itself significant, unless the Fund wishes the owner to be in the position of restraining others from using the technology or the Fund wishes to ensure that others can be free to use the technology.
- (ii) If it is not the owner who is to be funded, but another party, then the chief question is whether the owner has applied for, or secured, rights over the technology which can be exercised in the jurisdiction where the funded use is to occur. (The question of possible exports is also discussed below).

Ultimately, then, in both cases, the issue revolves around whether the proposed use of the technology would infringe intellectual property rights not owned by the funded user of the technology, in the jurisdictions where the funded use would occur. There is a range of possible practical actions that the Fund can undertake in this circumstance: requiring warranties of non-infringement from the technology user, requiring due diligence in conducting searches of granted patents and of patent applications with potential effect in the jurisdictions of relevance, and itself undertaking or commissioning independent searches and evaluation of the patent situation.

If the technology is ‘not in the public domain’ in the sense of not having been publicly disclosed, then the chief difficulty would be assessing the technology (including the legality of its use) from an independent point of view: the technology would have to disclose the technology to the necessary extent, subject to confidentiality agreements as necessary. If the second notion of ‘not in the public domain’ applies – that is, the funded user holds IP rights over the technology – then the owner may need to be required to grant all necessary licenses of actual or potential IP rights to allow for the funded use to occur, and to allow for any testing, regulatory approval or assessment to take place.

“Secondly, if a patent application has been finalised in the country of interest, then the technology is in the public domain and it will have been indicated in the patent process whether the technology does or does not infringe another technology already patented in the jurisdiction. If it does not, once again, are there any additional WIPO/TRIPS requirements of which the Fund or its agents needs to take account.”

The technology will have been put into the public domain, in the sense of being available for the public to scrutinise, well before the patent right is granted – in other words, applications will enter the public domain while they are still being processed and before any decision is made on their validity. In addition, the examination of a patent does not lead to a decision on whether the use of the claimed technology would infringe other patent rights. Some jurisdictions do not undertake a substantive judgement at all on the validity of the patent application. Where there is substantive examination, it leads to a judgement as to whether the claimed invention is novel and not obvious in the light of known prior art (including technology disclosed in earlier patent documents) – it does not lead to a determination whether the claimed technology would or would not infringe existing patent rights. It is not infrequent for subsequent, valid patent rights to be granted to one inventor that fall within the scope of existing, valid patent rights of another inventor. On the other hand, the substantive examination of the patent application may throw up information about relevant rights that may conflict with the technology in question, and so the patent application process may supplement information about potential conflicts, in addition to any independent search of patent documentation. If the patent right is refused, on the basis that the claimed invention was directly anticipated by an earlier patent (and that patent is in force in the same jurisdiction), this would of course be particular evidence of a problem.

Hence, even if the technology owner has been granted a patent right in the jurisdiction where the technology has to be used, there may well be ‘freedom to operate’ issues, similar to those that would apply if no patent right was sought, or if a patent right was refused. However, these issues have nothing directly to do with TRIPS or WIPO convention provisions, but practical prudence in assessing whether the funded use of the technology would infringe other parties’ IP rights and reasonable steps to guard against this eventuality. This basic need arises whether or not a funded technology owner is seeking, or has secured, IP rights of their own. One could not assume that if the technology owner has secured IP rights, they have freedom to operate. On the other hand, ownership of IP rights on more advanced technology can be useful in negotiating a license to use earlier, broader patented technology that is necessary to use the advanced technology.

On the question of applicable jurisdictions, there is one important practical consideration. If the patented good or service is to find its way to the country in which a patent is in force, then patent rights can be enforced - this applies even to products which have been produced in one country by a process that is patented in the importing country, even though the process is only actually carried out in the exporting countries. For instance, if there is a Canadian patent on an ozone-friendly process for manufacturing refrigerators or preparing refrigerant, and there is no corresponding patent in Australia, an Australian manufacturer can use the process to manufacture refrigerators, and can sell the refrigerators without constraint in the domestic market in Australia. However, since the patented process has been used to produce the refrigerators, any attempt to export the finished products to Canada may result in infringement of the Canadian patent. If there is any prospect of the funds being used for technology that would produce goods for export markets, then it would be necessary to consider this issue. Broadly speaking, it is a question of freedom to operate, and would entail conducting a patent search in potential export markets and checking the status of any relevant patents to see whether they were still in force, and adjusting plans entirely. If the UNMFS funds are to be deployed by enterprises that service only the domestic market, then it would be sufficient to ensure that no relevant patent rights existed and were in force in that country alone.

On the question of underlying principles, it is not encouraging patent infringement to facilitate the good-faith use of a technology in a country in which no patent exists to constrain that use. Indeed, enterprises in developing countries are often urged to make better use of patent documentation as a source of potentially valuable technologies that they could put to use immediately, if they are not patented in their home market or other markets of interest. This can be a good way of ensuring that the technology which is used is relatively up to date. To wait for patents in other countries to expire before using such

technology would be self-defeating, and would unnecessarily delay the introduction of potentially valuable technology, and may even ensure that the funded technology would be generally superseded and less effective in meeting the required objectives than more recent technology. It would be meaningless to seek to license technology for use in one country, on the basis of a patent in another country (importantly, the situation differs if there is a need to access or make use of associated technology or knowhow that may make the technology more efficient or effective, but you have indicated that the question relates to the scope of patent rights only). By foregoing the opportunity to seek a patent right in any particular country, whether for lack of interest or lack of resources, the patent holder has implicitly foregone any entitlement to restrain use of the technology in that country. Once the patent application is published in any country, it can be normally considered to have entered the public domain in any other country where no patent right was applied for, in the sense of being freely available to be used. There are some important timing issues here, and it may be advisable to seek expert advice on the status of any particular patented technology before (this gets to the question of due diligence and freedom to operate analyses, which are vitally important practical questions beyond the scope of this comment).

To conclude, the issue seems to me not to be about whether or not the relevant technology is in the public domain, nor even whether the technology owner has intellectual property rights. Due to the strictly territorial and jurisdiction-bound nature of patent rights, it is possible for technology to be effectively in the public domain in one country, and subject to patent rights in another. Indeed, the general ready availability of patent documentation means that the very publication of the patent document actually causes the technology to enter the public domain in the former country, since the patent document would be available there even though no actual patent right applies.

The key question is rather that of freedom to operate, and this can only be assessed by searches and expert opinion on third parties' intellectual property rights, in force in the jurisdictions where the technology is to be used, or to which products embodying the technology (including a patented process) are to be exported.

I hope that this helps illuminate the question you have raised. If not, or if there are areas lacking clarity or relevance, please let me know and I would be glad to amplify further.”

Yours sincerely

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