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African Patent Statutes and Technology Transfer

by Mark Sklan*

Using six criteria, the author examines the mechanisms of technology transfer as provided by the patent statutes in four areas of Africa: Egypt, Kenya, Nigeria, and the signatory states of the Malagasy Agreement. Patent law in these areas is explored with attention to the limitations placed on foreigners, and to the special requirements that the patentee work his patent, as well as to the provisions for compulsory licensing and expropriation. The author notes that wise enactment of statutory patent schemes and cooperation between patentees and developing countries can operate to the benefit of both the patentee and the host country.

TECHNOLOGY TRANSFER is a matrix: a seamless web of science, engineering, custom and law. It is the transfer of intangible property and as real as increased corn crops or affordable television transmitters. Technology is that which separates developed from developing nations, for technology is that property which produces more wealth than it consumes.

The purpose of government is the creation of a stable framework for the transfer of rights. Property rights in technology are primarily protected by patent laws. Patent laws protect inventors. They insure that creators of new wealth may profit from that wealth.¹ Thus, developing nations need patent laws.

This paper will address the issue of transfers of technology from developed to developing nations. As examples of developing nations, several African states have been chosen. First, a model for analysis of the patent laws of these states will be proposed. An explanation will be made as to how the model relates to technology transfer. Secondly, the patent laws of these selected nations will be described in some detail. Lastly, the model will be applied to the statutes and conclusions will be drawn as to the efficacy of the statutes in effecting the goals of transfer of technology.

A *caveat* is in order. While statutes may be objectively analyzed, the reality of practice under these statutes may be very different. This is not unusual, even in developed countries. Courts, administrators and politicians put their gloss on statutes, and this may be at odds with

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¹S. LADAS, PATENTS, TRADEMARKS AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION 1884 (1975).

their clear meaning. Therefore, all conclusions which the following analysis will draw are suspect to the extent that the materials for a complete study of the patent practice in these nations are not available.

I. TECHNOLOGY TRANSFER: A MODEL FOR ANALYSIS

There are six factors to be considered when analyzing the patent law of any developing nation. These are:

1. What rights are granted the patentee?
2. How are these rights enforced?
3. What limitations are placed on foreigners?
4. Are there any special requirements that the patentee work his patent?
5. Are there provisions for compulsory licenses?
6. Are there provisions for expropriation?

These factors will fall into two categories. The first three factors reveal inducements to enter the developing nation with new technology. The second three factors reveal the usual types of barriers or pitfalls which the patentee must avoid if he wishes to remain in the foreign market. More broadly, these latter factors appear to establish an adversary relationship between the patentee or private enterprise and the host state.

It would be a mistake to view these six factors as establishing an adversary context.² A more accurate view of the context established by these factors is a contract relationship. The host state grants rights to foreigners (and nationals) and extracts as its *quid pro quo* the condition that the rights be exercised. U.S. contract law allows for the same sorts of bargains. It may even imply them. The classic example of such implications is the contract in which payment is linked to performance. No one would argue that a contract was onerous if it required the promisee to perform in order to compensate the promisor.

U.S. patent law has often been viewed in a contract context. The government grants rights in exchange for disclosure of the technology. In developing nations the *quid pro quo* is more appropriate to their needs; that is, it involves the production of wealth. Thus developing nations will grant rights, in exchange for the use of the technology, to produce wealth. Failure to attempt to produce wealth will result in a loss of right. The loss of right for failure to work is analogous to the

²*Id.* at 1889.

loss of right for abandonment³ or suppression.⁴ Both of these may be viewed as breaches of the condition of disclosure imposed by the government upon the patentee.

Lastly, it should be noted that all patent laws are domestic laws. As such there will always be some bias against the foreign applicant. The U.S. patent statute embodies that bias just as do most patent laws of other states.⁵

II. PATENT STATUTES⁶

The nations selected for this study were chosen on the basis of two criteria: their geographic position and their economic importance. Only the southern region of Africa is unrepresented because of its present political turmoil. The states to be considered are Egypt, Kenya, Nigeria, and the signatory states of the Malagasy Agreement.⁷

A. *Malagasy Agreement*⁸

The Malagasy Agreement is one of the most remarkable treaties ever signed. It establishes uniform substantive⁹ and procedural¹⁰ law for all types of industrial property for all its members. A central office acts as patent office for all members.¹¹ Applications may be made by nationals of signatory states and by foreigners with local agents.¹² Patents granted by the office have effect in each member state in accordance with local law.¹³ Local law is stated in the Agreement as Annex I.

³35 U.S.C. § 102c (1970).

⁴*Id.* at § 102g.

⁵*Id.* at §§ 102b, 102g, 104.

⁶Space prevents this paper from comparing each provision of each statute to a similar provision in the U.S. Act, but these comparisons will be made as often as possible when they illustrate a point. It is assumed that the reader is fully familiar with Title 35 and will always keep it in mind when reading the following section.

⁷Cameroon, Central Africa Republic (now Central African Empire), Chad, Congo, Dahomey (now Benin), Ivory Coast, Gabon, Malagasy, Mauritania, Niger, Senegal, Togo, and Upper Volta.

⁸Agreement Relating to the Creation of an African and Malagasy Industrial Property Office, Sept. 13, 1962, *reprinted in* 2F J. SINNOT, *WORLD PATENT LAW AND PRACTICE*, Malagasy-1 (1976). The Agreement will be cited to its body by article and to its annexes by annex number and article.

⁹*Id.* at art. 2.

¹⁰*Id.* at art. 1.

¹¹*Id.*

¹²*Id.* at art. 3.

¹³*Id.* at art. 5(2).

Annex I is the substantive patent law for all member states. Patents are issued to the inventor of a new industrial invention. The inventor has the exclusive right to use the invention for personal profit.¹⁴ Inventions include the development of industrial products, processes, and the new use of old processes.¹⁵ Inventions which are *contra bonos mores*, as well as drugs, are not patentable.¹⁶ Patents last for twenty years from the date of filing.¹⁷

Patents issue upon filing proper forms. There is no examination. There are no guarantees that issued patents are valid. Failure to indicate that patents are "issued without guarantee by the Government" subjects the patentee to a fine.¹⁸ Thus it falls to the courts to be the decision maker as to patent validity, on a case-by-case basis.¹⁹ Patentees may not sue for a declaration of validity, but any party may seek nullification of a patent. The public prosecutor may intervene on the plaintiff's behalf.²⁰

Patents are nullified if they lack novelty or are issued on improper subject matter. Improper subjects include pure scientific principles. Fraud will also nullify a patent as does vagueness in the specifications.²¹

Any invention which has received, on national or foreign territory and prior to the date of application for patent, sufficient publicity to enable it to be carried out or which is described in a patent currently in force in said territory, even if unpublished but benefiting from an earlier filing date, shall not be deemed new.²²

Compulsory licenses may issue if the patentee fails to work his invention.²³ Applicants for these non-exclusive licenses must prove an attempt to negotiate directly with the patentee for a license even if the patentee is not working the patent.²⁴ Licenses will not issue without a hearing before a court.²⁵ The license will issue if the patent is idle, or

¹⁴*Id.* at annex I, art. 1.

¹⁵*Id.* at annex I, art. 2.

¹⁶*Id.* at annex I, art. 3.

¹⁷*Id.* at annex I, art. 4.

¹⁸*Id.* at annex I, art. 28.

¹⁹*Id.* at annex I, art. 29.

²⁰*Id.* at annex I, arts. 30, 32.

²¹*Id.* at annex I, art. 25.

²²*Id.* at annex I, art. 26.

²³*Id.* at annex I, art. 35.

²⁴*Id.* at annex I, arts. 36, 37.

²⁵*Id.* at annex I, art. 37.

if the license was denied as an abuse of right by the patentee. The court sets the terms of the license in all particulars including royalty terms for the compulsory licensor.²⁶ Failure of the licensee to abide by the license results, after a hearing, in the withdrawal of the license.²⁷

Infringement is a criminal offense punishable by a fine.²⁸ The patentee commences the action to which the prosecutor joins.²⁹ The defendant may raise positive defenses or those which go to the validity of the patent.³⁰ This system of private use of criminal law is not uncommon in countries whose law is based upon the Code Napoleon.

B. *Egypt*

The Egyptian Patent and Design Act is one of the oldest in Africa.³¹ Patents issue for new industrial products and methods and for new uses of old methods.³² No patents are permitted on inventions which are *contra bonos mores* or whose subject matter involves drugs or food.³³ Novelty is defined negatively as anything not used in Egypt for the past fifty years or not published for the past fifty years.³⁴ Nationals, foreign businesses in Egypt, and nationals of states which give reciprocity to Egyptian nationals may file.³⁵ The patent grant lasts for fifteen years from date of application.³⁶ The grant is of an exclusive right to work the invention.³⁷

There are provisions for both compulsory licensing and expropriation for public utility. Failure to work a patented invention without a valid defense results in compulsory licensing.³⁸ An applicant for such a license must prove ability to work the patent and must pay a reasonable royalty.³⁹ A patent may be expropriated if working of the

²⁶*Id.* at annex I, art. 38.

²⁷*Id.*

²⁸*Id.* at annex I, art. 44.

²⁹*Id.* at annex I, art. 46.

³⁰*Id.* at annex I, art. 51.

³¹Egyptian Patent and Design Act of 1949, *reprinted in* 2C J. SINNOT, WORLD PATENT LAW AND PRACTICE, Egypt-1 (1976). All citations are to the sections of this statute.

³²*Id.* at § 1(1).

³³*Id.* at § 1(2).

³⁴*Id.* at § 1(3).

³⁵*Id.* at § 1(5).

³⁶*Id.* at § 1(12).

³⁷*Id.* at § 1(10).

³⁸*Id.* at § 4(30).

³⁹*Id.*

invention procures great advantage to national industry or defense. This expropriation is subject to review in the Administrative Courts.⁴⁰

C. *Kenya*

The patent statute of Kenya is simple.

The Patent Registration Act . . . provides for registration of letters patent issued in the United Kingdom. There is no statute enabling patents to be registered in Kenya.⁴¹

D. *Nigeria*

The Nigerian Patent and Design Act⁴² is interesting in that it was promulgated by a military-revolutionary government. It provides that new industrial inventions resulting from inventive activity are patentable.⁴³ Novelty is defined as everything not known to the public anywhere in the world at any time prior to filing.⁴⁴ The first to invent has priority over the first to file,⁴⁵ but there is no examination or interference within the patent office.⁴⁶

The patentee has the right to exclude others from making, using, selling, or importing his device. The scope of protection is defined by claims which state the invention. However, a *bona fide* subsequent inventor or user may not be sued for infringement.⁴⁷ The right lasts for twenty years.⁴⁸

Any interested party may petition to have a patent declared void. A patent may be voided for obviousness or prior art.⁴⁹ Patentees who were collecting royalties may not continue to do so on a void patent, but they need not return royalties already collected.⁵⁰

The patentee may apply for registration of a license of right. These licensing provisions allow anyone to become a licensee so long as he

⁴⁰*Id.* at §§ 4(32)-4(33).

⁴¹INTERNATIONAL ENCYCLOPEDIA OF COMPARATIVE LAW K-7 (1972).

⁴²*Reprinted in* 70 PAT. & TRADEMARK REV. 183, 234, 266, 286 (1972). Cited below by section.

⁴³*Id.* at § 1(1).

⁴⁴*Id.* at § 1(3).

⁴⁵*Id.* at § 2.

⁴⁶*Id.* at § 4.

⁴⁷*Id.* at § 6.

⁴⁸*Id.* at § 7.

⁴⁹*Id.* at § 9(1).

⁵⁰*Id.* at § 9(4).

abides by the terms of the license. Such registraton cuts filing fees in half.⁵¹

There are special provisions for licenses. They must be of record, and the record is conclusive with respect to third parties.⁵² Licenses may not impose field restrictions except to insure quality control and quantity of production.⁵³ Foreign licensees may find themselves unable to repatriate the royalties.

The Commissioner [of Patents], if he is satisfied that it is in the interest of Nigeria and its economic development to do so may by order . . . provide that [licenses] shall in so far as they involve payment of royalties outside Nigeria, be invalid without the approval of such authority as may be specified in the order.⁵⁴

Infringement is actionable and is presumed if the defendant makes a product for which the plaintiff has a patent on the process of manufacture. The acts specified in § 9 define infringement.

There are provisions for compulsory licenses.⁵⁵ Such licensing may arise out of failure to work the patent or to work it reasonably. Compulsory licensing may also result if working is hindered by imports.⁵⁶ Patentee may raise any valid defense, but, if the license issues, it grants to the licensee a non-exclusive right to make, use, and sell, but not import, the patent.⁵⁷ Courts fix the exact royalties.⁵⁸ The Commissioner may establish classes of patents which will always be subject to compulsory licenses.⁵⁹

III. APPLICATION OF THE MODEL TO THE STATUTES

A. *Malagasy Agreement*

Patentees have the usual rights of use for their own profit. However, a patent is of limited value until its validity is litigated. Patentees may not seek declaratory judgments upon their patents, but there does not appear to be any barrier barring the patentee and licensee from

⁵¹*Id.* at § 10.

⁵²*Id.* at § 23(3).

⁵³*Id.* at § 23(3).

⁵⁴*Id.* at § 23(6).

⁵⁵*Id.* at Schedule I.

⁵⁶*Id.* at Schedule I, § 1.

⁵⁷*Id.* at Schedule I, § 6.

⁵⁸*Id.* at Schedule I, § 8.

⁵⁹*Id.* at Schedule I, § 13.

collusively seeking a judicial declaration of validity. Of course, as the prosecutor may enter the litigation seeking invalidity, the result is not certain. But there is a likelihood that validity may be achieved by such a ploy.

The situation in which validity is in question until litigation settles the issue is not unusual for the U.S. practitioner. A U.S. patentee is subject to such an action by a licensee just as is the Malagasian patentee.⁶⁰ The only real difference may be in terms of the cost of the original filing. If the patent must be examined, the legal fees must be higher, for in such a case the same matters may be, in effect, litigated twice.

Malagasian patentees may freely alienate their rights, but recordation is necessary. Foreigners are given free access to this system. All that is required is a local agent, ostensibly to receive process. As in filing grant rights, the filing date is the only date of importance. The Malagasy Agreement embodies the foreign filing provisions found in the Paris Union, providing that the foreign filing date is the effective date if the Malagasy filing is within one year of the foreign date. This is more liberal than the U.S. inventor system which does not allow foreign inventors to take advantage of their work in the foreign nation for purposes of interference.⁶¹

The fact that infringement is a criminal offense may create a real problem for the patentee unless there is access to the criminal courts. Fortunately, in countries whose law is based on the French Code Napoleon, such access is provided.⁶² The nations of the Malagasy Agreement were all French colonies: part of French Equatorial Africa. Thus, there are, most likely, some provisions for the victim of a crime to become the so-called *partie civile*. The Malagasy Agreement does provide that injured parties must commence the proceedings. However, a court might limit the remedy to the fines imposed for the criminal wrong.⁶³

Thus we see that Malagasy patentees have rights which are similar to those of U.S. patentees, and in some ways better. But with respect to third parties, that is infringers, the rights of a Malagasy patentee may be limited. This will have a direct impact on the types of tech-

⁶⁰Lear, Inc. v. Adkins, 395 U.S. 653 (1969).

⁶¹35 U.S.C. § 102g (1970).

⁶²See Larguier, *The Civil Action for Damages in French Criminal Procedure*, 39 TUL. L. REV. 687 (1965).

⁶³Malagasy Agreement, *supra* note 8, at annex I, art. 47.

nology transferred. High technology items for which there is little fear of local infringement may be favored over low technology items which are easily infringed. But there is a small market for sophisticated technology and a great need for development of basic technology. Thus the inadequate infringement protection prevents the transfer of the technology most useful in the area.

The compulsory license provisions for failure to work pose no real threat to the technology transferor. He has patented his technology to protect it while he is working it. He comes to expand his market, not merely to extend his monopoly. Therefore, the only likely reason for apprehension is from the "abuse of monopoly" provision. But abuse of monopoly is just a subheading under the general concept found in French civil law called *abus de droit*.⁶⁴ *Abus de droit* is similar to the more familiar concept of *bona fides*, which is unknown in French law. Thus, what one is really speaking of is the familiar doctrine of "misuse." While a difficult concept to work with, it is one which does not materially affect the way commerce is effected in the U.S. There is no good reason why the same result should not occur in Malagasy nations.

B. *Egypt*

Patentees have the usual rights to make, use, or sell, which are freely alienable. All foreigners who work patents in Egypt are protected. The statute does not speak directly to infringement, so no discussion will be made of that issue.

The expropriation provisions do raise problems. There is judicial review of decisions to expropriate, but this author doubts its efficacy. A decision by the government to expropriate technology considered by that government to be vital to Egypt's national interest will not be quickly overturned. The impact of this provision is on the successful foreigner. Clearly only that technology which is successful will be expropriated. Thus the patentee runs the considerable risk of losing everything as soon as it is built. This will keep much technology out of Egypt.

C. *Kenya*

This statute simplifies technology transfer. All technology available in Britain is available in Kenya. All any foreign patentee need do is

⁶⁴See Gutteridge, *Abuse of Rights*, 5 CAMBRIDGE L.J. 22, 32-39 (1933).

get a U.K. patent, and now even an EEC patent, and his invention is protected in Kenya. This piggy-back effect raises no entry barriers. None of the working provisions, compulsory licenses, or expropriations that the U.S. practitioner finds so abhorrent is present.

The system has several other positive features. It is inexpensive to operate, and there is no need for an elite corps of examiners. The system grants access to most of the major technological advances in the world. The law that is incorporated is well-known and grants full protection to the patentee. Thus, it may be the perfect technology transfer system.

D. *Nigeria*

Here, too, the patentee has the usual rights, plus a specific right to import the goods. Inventors, and not first filers, are, in general, protected. There is that strange exception for the "*bona fide* subsequent inventor." This author would need more information on how this works in practice before he could comment on it.

The license provisions are unique. The license of right is not an abandonment or a disclaimer. It appears to be a voluntary compulsory license. The effect of such an unrestricted licensing may be devastating for a patent which requires special skills. Any quality standards may be lost, and with those would go the trademark.

Another difficult provision is the one which creates a barrier to the foreign patentee-licensor, preventing him from removing any royalties from Nigeria. It does not appear that this decision is reviewable, except under general Nigerian administrative law. Thus, all foreign patentees must either tread very carefully or else set up an involved capital transfer scheme which moves the money out of the country. The latter course is dangerous, and it raises costs. The former course has unknown risks, including arbitrary actions. Thus is created a high barrier to technology transfer.

This paper has reviewed the effect of several patent statutes on technology transfer. It has been shown that proper statutory schemes will allow the foreign patentee to transfer his technology to a less-developed nation. Such schemes as the Malagasy Agreement and the Kenyan statute create few barriers for an inventor who wishes to expand his market. It has also been shown that, through nationalism or ignorance, a nation may impose severe barriers to entry which cannot be rationalized or overcome.

In the larger analysis, it is hoped that this paper illustrates the

need for cooperation between the host country and the foreign corporation. Both have similar goals: increased wealth and markets. Through cooperation such goals may be achieved. Only adversity stands in the way of such development.

