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## **ANALYSIS OF LEGAL REGULATIONS AND COMMERCIALIZATION FEATURES OF INTELLECTUAL PROPERTY**

Despite the big quantity of regulations in the innovation sector and creating of different innovation structures, development of Ukraine is low and needs to provide suggestions to resolve the problems arising during commercialization of intellectual property. The article describes the differences between intellectual property and tangible assets, gaps in the Law of Ukraine "On state regulation of activities in technology transfer", and provides suggestions for information support of technology commercialization by creating a referral system that will contain information about innovation structures, legal base, statistical and analytical information on innovation, and for reform the state order for scientific and technical products to expand its implementation on scientific and technical developments.

**Key words:** innovation, intellectual property, intangible assets, legislation

The purpose of this article is to analyze legal features of the relations arising during commercialization of intellectual property in Ukraine, as well as to identify problems and provide suggestions for their solution.

The actuality of the issue is determined by low level of innovative development of Ukraine despite considerable amount of legal acts regulating this field, and inefficient activity of innovation structures.

Intellectual property, its commercialization and legal regulation problem were addressed in a large number of scientists' and practitioners' works. The efforts of Androshchuk G.O., Atamanova Y.E., Denisiuk V.A., Zaduhailo D.V., Orliuk O.P., Soloviuov V.P., Revutskyi S.F. may be distinguished.

All property objects may be divided into two groups: tangible and intangible property. Further, the tangible property falls into<sup>1</sup> movable and real property. The first one refers to financial resources (money, securities), means of production and any other property apart from subsoil, water and forest objects, natural sources, housing, buildings and constructions. Intangible, i.e. intellectual property, is the rights for creative and scientific activity objects.

The notion of 'intellectual property' has various definitions. Specifically, it is defined as social relations on appropriation of intellectual activity results or as a branch of law which regulates the application of scientific, literature and art areas in entrepreneurship<sup>2, 3</sup>.

Intellectual property right contains personal moral rights and economic rights. The personal moral rights belong only to creator (except clauses stipulated by the Civil Code), are defined by life-long action, non-derogable character (except clauses stipulated by Civil Code), have no economical meaning and determine the right of authorship and right to protect author's reputation.

Economic rights of intellectual property correspond to the meaning of right of ownership, i.e. the owner holds a right to possess, to use and to dispose an intellectual property right object.

Typically for IP object, the intangible object (information) comprises property and asset, however only its factual implementation brings economic benefit. Moreover, there are economic and moral rights for IP objects which may exist and be changed independently from each other<sup>4</sup>.

System of ownership rights for intangible objects is defined by specific limitations which do not correspond to the tangible property objects (namely, absence of a right for perpetuity, which is implemented within duration of protection documents).

Furthermore, given that natural persons, legal entity and state represented by state authorities<sup>5</sup> may

<sup>1</sup> Стрижак, О.О. (2007). *Інтелектуальна власність*. Харків: ХНЕУ.

<sup>2</sup> Базилович, В.Д. (2006). *Інтелектуальна власність*. Київ: Знання.

<sup>3</sup> Елисеєв, А.Н., Шульга, І.Е. (2005). *Институциональный анализ интеллектуальной собственности*. Москва: Инфра-М.

<sup>4</sup> Стрижак, О.О. (2007). *Інтелектуальна власність*. Харків: ХНЕУ.

<sup>5</sup> Ажнюк, М.О., Передрій, О.С. (2008). *Основи економічної теорії*. Київ: Знання.

act as property subjects, the state cannot be the subject of intellectual property. According to the Civil Code of Ukraine the subjects of intellectual property are the following: a creator of an object and other persons who holds personal moral and (or) economic rights of intellectual property according to this Civil Code, other law or agreement.

Legal regulation of intellectual property is aimed at determining of relations on creation, possession, usage, disposal and protection of intellectual activity results.

The methods of intellectual property legal regulation refer to both centralized (legal acts establishing rules, duties, prohibitions and penalties) and decentralized (relations between economic operators are conducted on the basis of concluded agreements).

As per type<sup>1</sup> of legal regulation the intellectual property activity may be ranged to the generally permitted type, i.e. existing of a general permission to carry out legal matters in this field discretionally, except some restrictions.

As has been mentioned, the property relations are determined by acquisition of certain benefit which is also related with deprivation of this benefit from its previous owner, i.e. revocation of the right to possess, use and dispose<sup>2</sup>.

Intellectual property right may be acquired in two circumstances which are the following: origin of intellectual property right and acquisition of the intellectual property right, i.e. initial and secondary modes of intellectual property right establishment.

The first mode refers to creation of literary, art works, inventions and other results of intellectual and creative work, which is accompanied by legitimating actions taken by author if needed. The second mode related to acquisition resulted from succession, transfer of economic rights of intellectual property from author to another person, etc. In such situation, not only does the act of creation serve as a ground for legal relations appearance, but also the owner change deed.

As far as moral rights of intellectual property are characterized by consistency, the economic rights on IP objects and related matters will be a subject to consideration hereafter.

It is worth to mention that according to the Article 424 of the Civil Code of Ukraine the following is relevant to economic rights of intellectual property:

- a right to exploit an intellectual property right object (notably, the right for usage);
- an exclusive right to authorize use of intellectual property right object and exclusive right to prevent illegal use of intellectual property right object, which includes prohibition of such exploitation (notably, the right for disposal);
- other economic rights of intellectual property, established by law.

Therefore, the right for possession falls within the category “other economic rights”. It is considered expedient to amend the mentioned legal rule in order to bring it in correspondence with general provisions on right of ownership.

Economic rights on industrial property objects belong to the owner of the patent certifying the ownership. Validity period of exclusive economic rights counts from 10 to 20 years depending from the object type and may be shorten upon the owner’s initiative.

Already at the stage of IPR object creation the relations which fall within the scope of legal regulation appear. Hence, an author (inventor) holds the personal moral rights on objects created on request or according to service contract. However, the right to obtain a patent on mentioned IPR object belongs jointly to creator and employer (requester) unless otherwise provided for by the contract.

Dispose of economic rights of intellectual property is possible on the basis of various contracts: license for usage of intellectual property; licensing contract; agreement about creation on order and usage of intellectual property object; agreement on transfer of exclusive economic rights of intellectual property; other agreements about disposal of intellectual property economic rights.

The Law of Ukraine “On state regulation of activities in technology transfer” as in force in 2006 has determined a list of contracts which may be concluded for commercialization of technologies and IPR objects. In the same Law as in force in 2012 the mentioned provisions were excluded, however, the indicated contracts may go along with the following licenses: on industry technology delivery, on technical industrial cooperative, on technical service rendering, on engineering, on creation of joint entities, on rent or leasing of technologies components, equipment and commercial concession (franchising).

<sup>1</sup> Хропанюк, В.Н. (2008). *Теорія державства и права*. Москва: Омега-Л.

<sup>2</sup> Базилевич, В.Д. (ред.) (2007). *Економічна теорія: політекономія*. Київ: Знання-Пресс.

The agreement about disposal of commercial rights of intellectual property is concluded in written form due to the risk of its nullity, but the law may provide for situations when such agreement may be made verbally.

A person, who holds an exclusive right to authorize a usage of the intellectual property object (grantor of license) may provide a written authorization to another person (grantee of license) which will empower him/her for usage of this object in particular area, namely, license for usage of intellectual property. Such license could be issued as a certain document or it could be a part of a licensing contract.

The main legal form of economic rights transfer is a licensing contract, under which a person (grantor of license) gives a permission to another person (grantee of license) to use this object (license) on mutual consent in comply with law requirements.

Dispose of economic rights of intellectual property also may be performed by their introduction into the statutory fund of legal entity, transfer into the pledge and be applied in other civil matters as prescribed in a number of Ukrainian laws: "On scientific and scientifically technical activity", "On scientific parks", "On higher education". In such cases estimation of economic rights value will be performed according to the parties consent in comply with legal acts provisions.

In very rare cases the certain objects of intellectual property are interesting for implementation in real economic sector. A combination of IPR objects which comprise a technical decision for production process or service rendering constitutes a technology. Actions related with technology transfer from one owner of economic rights to another are regulated by the Law of Ukraine "On state regulation of activities in technology transfer", that is why this legal act has been primarily analyzed and the following was revealed:

1) According to the orders of the Ministry of education and science as of 24.06.2004 №533, as of 01.11.2005 №631 the units on intellectual property matters or units on commercialization of intellectual property objects were supposed to be created in higher education institutions of III - IV levels of accreditation subordinated to the Ministry. Still numerous universities confined to introduction of the IPR specialist position within the staff. Hence, the Law has to be supplemented with provision on infrastructure of technologies transfer, as well as the sources and minimal amount of its funding shall be fixed in legislation.

Absence of funds for maintenance of complete department or center of technologies transfer may be solved by creation of technology transfer net, similar to EEN or RTTN. Mentioned structures act within the territory of Ukraine, but their legal uncertainty as well as big amount of institutions which are not included in such structures have negative impact on their activity efficiency<sup>1</sup>.

2) Registration of technologies created or acquired by state entities and approval of technologies' import in Ukraine while their purchase for budget funds are regulated by the Law. Moreover, the State Service of Intellectual Property performs registration of licensing contracts upon applicant's request. In other words, a comprehensive monitoring mechanism for technologies transfer is absent. Aforementioned leads to lack of information about potential entities-licensee and the most interesting areas for technological modernization in both central state authorities and institutions elaborating new technological decision.

3) The Law provides for transfer approval and registration of technologies created and purchased for budget funds being forwarded to legal entities registered in other states or foreigners, or stateless persons, which is performed on the basis of state expertise of technologies. Within three years of Law action, the Cabinet of Ministers of Ukraine did not succeed to adopt an order on expertise and approval. Failure in legal regulation of this provision impact negatively on potential investors and licensors who are fairly afraid of delays in receive of authorizations.

It is advisable to exclude these provisions or change it for compulsory registration under application principle in corresponding ministry and selective revisions on relevance of a price indicated in the contract and market price on analogous technologies<sup>2, 3</sup>.

Issues to be solved within the amendments to other laws of Ukraine regulating innovation activity are specified as follows:

1) Majority of scientists are not able to commercialize the results of their researches due to the lack

<sup>1</sup> Козаченко, В.Я., Георгіаді, Н.Г. (2010). Сучасний стан мереж трансферу технологій за кордоном та проблеми їх розвитку в Україні. *Вісник Національного університету «Львівська політехніка»*, 691, 162-172.

<sup>2</sup> Падучак, Б.М. (2004). Особливості погодження договорів про трансфер технологій. *Теорія і практика інтелектуальної власності*, 6, 88-93.

<sup>3</sup> Петренко, С.А., Дорожко, Г.К., Лизан, А.В. (2013). Переваги та недоліки порядку трансферу технологій за українським законодавством. *Теоретичні і практичні аспекти економіки інтелектуальної власності*, 1, 335-338.

of knowledge on commercialization mechanism, namely technological audit, value estimation and protection of the rights on intellectual property object, searching of potential buyers and methods of inventions transfer to the clients. Still, the selection of human resources for implementation of mentioned actions present a serious challenge due to the insufficiency of state order for preparation of personnel in intellectual property management. Also, it is reasonable to introduce special courses on mentioned problem for the students of technical, natural and economic specialties.

2) After that, the lack of money in high educational institutions impedes a comprehensive patent findings and its marketing researches. The Law does not foresee information support of innovative activity. Similar provisions exist in the Law of Ukraine “On state regulation of activities in technology transfer”, but they provide for information and consultative support only for transfer of technologies and through the institutions of state system of scientific and technical information, which significantly narrows potentialities of information spreading.

It is reasonable to amend the Law of Ukraine “On innovative activity” with an article on information support by creating a referral system on innovation activity support that will contain information or references about innovation structures, legal base, statistical and analytical information on innovation activities in different areas of economy:

«Article 11-1. Information support of innovation activity

1. For systematization of legal, analytical and other information on innovation activity and spreading of information on available innovative products the authorized authority which ensures the state policy on innovation activity has to promote creation of electronic system on innovative activity support.

Central state authorities, local self government bodies, the National academy of science of Ukraine and specialized academies of science in the frames of their competence has to ensure the information content of the system mentioned in the first paragraph of the Article 11-1.

The procedure of functioning of electronic system on innovation activity support shall be prescribed by the competent authority responsible for implementation of state policy on innovation activity.”.

3) Poor readiness of Ukrainian developments in commercialization. Majority of new technologies do not turn to the products and have no commercial success, a lot of developments are proposed at the stage of prototype or laboratorial sample. State budget provides funding for fundamental researches and insufficient part of applied researches.

It is advisable to reform state order on scientific and technical products for its broadening from the development of the most important scientific and technical developments to their research and implementation.

4) Creation of a new knowledge demands big volume of funds and time, instead the transfer may be performed in easy way and without significant financial expenses. Some researchers consider that intellectual property right protection is reasonless, because innovation activity is performed independently from financial remuneration, it losing fast its novelty, there is a certain period of time existing between release of original products and its analogs to the market during which a creator may obtain sufficient financial reward. However, there is more spread opinion about necessity to improve legal protection of IPR<sup>1</sup>.

At the State Fund of Fundamental Researches the State Agency on Science, Innovations and Informatization created the Fund on support of promising national inventions patenting in foreign states which was supposed to contribute to the protection of property rights on potentially attractive developments for commercialization, as well as it has approved an instruction on patenting promotion<sup>2</sup>. Nevertheless, the establishment of the Fund upon the Ministry’s order was in contradiction to the Budget Code, consequently this circumstance prohibited funding of its activity in future. Furthermore, the Law of Ukraine “On state regulation of activities in technology transfer” stipulates that abroad patenting of technologies or their components created for budget funds, shall be performed on own expense of enterprises, scientific institutions, organizations and high education institutions who are the developers of the technologies. Such provision requires amendments with regard to broadening of sourcing for patenting on budget costs, as well as establishment of aforementioned fund under governmental decision.

<sup>1</sup> Касьяненко, Л.М., Назаров, В.В., Савченко, Л.А. (2015). *Економічна теорія*. Київ: «Центр учбової літератури».

<sup>2</sup> *Наказ про створення Фонду підтримки патентування перспективних вітчизняних винаходів в іноземних державах 2011* (Державне агентство з питань науки, інновацій та інформатизації України). <<http://document.ua/pro-stvorennja-fondu-pidtrimki-patentuvannja-perspektivnih-v-doc84438.html>>.

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