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Different regulatory models of transfer of industrial property rights in the Baltic States: A plea for harmonized approach[☆]

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ABSTRACT

The authors explore different models of transfer of industrial property on a comparative basis. The article demonstrates that these models differ on a country level and several models may be in use in one legal system. The authors analyze strengths and weaknesses and legal implications of these models in the three Baltic States both at the regulatory level and at the practical level through case studies. The authors conclude that would be preferable to use the model under which the register is vested with negative publicity and the transfer of ownership of industrial property is not made dependent on its recordation.

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1. Introduction

Intellectual property (IP) can be commercialized through licensing, transfer (or assignment) of rights (for example, sale of IP) or spin-off creation (IP is transferred or licensed to a company). Transfer of IP rights is a central mechanism in IP based business. Recently the questions concerning the transfer of industrial property were addressed in the process of preparing the draft of Industrial Property Code within the framework of the codification of IP law in Estonia (see Kelli, 2015). This article departs from the issues raised during this process and widens the

perspective, focusing on transfer of industrial property rights in Estonia, Latvia and Lithuania. More precisely, the authors address the issues related to the role of the registries in the case of transfer of the industrial property, exploring the regulatory framework and its application in practice. The article does not touch the cases of transfer of the right to apply for an industrial property since these transactions do not involve registration.¹

Based on the role and legal importance of the industrial property register in the process of transfer of industrial property rights, it is possible to identify three regulative models. Under the first model the only condition for the transfer of rights is the validity of the transfer agreement which means that the register only has an informative (declarative) function and it cannot be relied on in legal

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¹ An invention is protected as trade secret before a patent application is filed. Since designs and figurative marks are regarded as a copyright protected work, they are transferred as any other non-registrable rights.

transactions. The second model makes the transfer dependent of an entry in the respective register (the transfer only takes effect after the entry is made in the register). Pursuant to the third model the transfer itself becomes effective when the respective agreement is concluded, but unlike the first model, it gives bigger relevance to the register entry by allowing the third parties rely on it.

The aim of this article is to outline the strengths and weaknesses of these models and make a suggestion as to which model should be preferred for unification of regulatory framework concerning industrial property transfer. The authors' main arguments are: 1) there is no clear justification to use different models depending on the type of industrial property. In other words, the transfer of patent rights, industrial design and trade mark rights should follow the same principles; 2) the model chosen by the legislator concerning the transfer of the industrial property rights does have a direct impact on organizational IP strategies.

The authors combine traditional legal methods such as comparative and analytical methods with the methods of social sciences. Thus the approaches of the three Baltic states are analysed and compared, using the laws, legal literature and court practice. In addition to that, the authors refer to examples from other countries which have influenced the legal systems of the Baltic states.

The authors have also collected and analysed empirical data. Recent studies ([Mets, Kelli, Mets & Tiimann, in press](#)) have demonstrated that patents constitute complex IP instruments (see, [Mets, Leego, Talpsep, & Varblane, 2007](#)) usually protecting core technologies (patent protection is often combined with trade secret protection, see [Kelli, Mets, Pisuke, Vasamäe, & Värvi, 2010](#)). In the Baltic States, half of the PCT patent applications are submitted by the universities. Other industrial property instruments (trademarks, designs, etc.) have no such importance for universities. Small R&D incentive companies (another category of PCT patent applicants) have not reached the level where the collection and analysis of the transfer of all industrial property objects would add any additional information. The number of their patent transfer transactions is not big enough to allow a meaningful analysis and the identification of standard problems. Universities are also more open to scientific cooperation than the private sector.

Therefore, the authors 1) use patents as an example which best reflects the entrepreneurial and innovation practices of relating to the transfer, and; 2) focus on universities and research institutes in the Baltic states.

Universities have a considerable practical experience which provides a valuable insight. The authors use patent statistics and data acquired through interviews concerning patent transfers. The interviews were made with the representatives of the University of Tartu, Tallinn University of Technology (Estonia), University of Latvia² (Latvia) and Kaunas University of Technology (Lithuania). The patent data was used due to its comparability and relevance to the knowledge-based economy (economy that relies on

the exploitation of knowledge, see [Kelli, 2009](#)). The use of trade marks and designs does not necessarily differentiate low and high tech sectors.

The process of data collection also included interviews with representatives of technology companies. The outcomes of these interviews affirm the little importance of the topic in the current development stage but also reveal its potential relevance for the future when the number of patent transfer transactions increases (e.g. the transformation into the knowledge-based economy takes place).

2. Legal framework

2.1. The functions of industrial property register

As absolute rights, industrial property rights need to be respected by everyone. In order to avoid infringements, a certain degree of publicity is needed to make stakeholders of the knowledge-based economy aware of existing industrial property rights. Such publicity functions are normally carried out by public registers. From a comparative perspective, it is possible to distinguish between the two main concepts of industrial property registers (for further discussion, see [McGuire, 2008a](#)).

The first concept departs from the idea that the function of the register is restricted to verifying the existence of industrial property. Thus it offers information to those who wish to be sure that their activities do not violate the industrial property rights of others.

The second concept is based on a wider understanding of the functions of the register since it also promotes legal certainty in transactions involving industrial property. It does so by offering information which due to the intangible nature of industrial property can be difficult to access but what is needed in order to conclude a valid transaction or to decide whether to enter into a transaction at all. Such information first and foremost concerns the person of the owner and the extent of his entitlement. Thus the legislators strive to find solutions to secure that important information is forwarded to the register. The third persons' reliance on the register must be protected. Experts suggest that from the regulatory point of view this second concept may be implemented in two ways: either by attributing constitutive effect to the register entry (i. e. positive publicity), or by providing for negative publicity of the register. In the practice it is possible that combinations of these two models exist (see [McGuire, 2008a](#), p. 15).

For the purpose of this article, the authors distinguish three regulative models: the first one departs from the concept of the declarative nature of the industrial property register, whereas the second and the third use different approaches to implement the idea of the register as a means for enhancing legal certainty in transactions. A more detailed description of these three regulative models is given below.

2.2. Declarative register: neither positive nor negative publicity

The purpose of the declarative register is to publish existing industrial property rights (patents, trademarks

² The University of Latvia provided the required information but approval for disclosure of this information was not received by the time of submitting this article to the journal.

etc.). The provision of the information on the owner of industrial property is not its main function. This explains why under this model the transfer of ownership of industrial property is based on a transaction between the transferor and the transferee, and the acquisition of industrial property is not dependent on any entry on a register.

This is the model chosen in Germany where the transfer of a patent or trade mark is conducted with no involvement of the register. The register only records the change (Section 30(3) of Patent Act; Section 27(3) of Trade Mark Act) for informative purposes. The entries in the register are declaratory, e.g. they have no constitutive effect (Mes, 2011, PatG § 30, Rn 10; Fezer, 2009 MarkenG § 27, Rn 60; McGuire, & von Zumbusch, 2006). Therefore, the substantive ownership of the patent or trade mark may differ from that in the register. Neither positive nor negative publicity is attributed to the register, and thus third persons may not rely on it (Decker, 2012, p. 40; McGuire, 2008b, p. 223). For that reason, *bona fide* acquisition of a patent or trade mark from a registered non-owner is not possible in Germany (Ahrens, & McGuire, 2012, p. 345; McGuire and von Zumbusch, 2006, p. 684). If the same right is transferred to different transferees, the question of ownership will be decided upon the principle of priority in time (McGuire, 2008b, p. 224).

In Germany, the entry on a register has a procedural meaning: only the registered owner is entitled to file declarations to the Patent Office or start a lawsuit in case of infringements. This has been recently stressed by the German Supreme Court asserting that as long as the transfer of patent is not recorded in the patent register, only the person registered as the owner is entitled to bring claims arising from infringement of the patent (BGH, 07.05.2013 – X ZR 69/11). However, the question of who is entitled to compensation of damages has to be decided on the basis of actual legal situation (*ibid.*).

The similar model is also adopted in Sweden (Arbrandt, Edlund, Forsgren, Jensen & Westerberg, 2006), Norway (Lutnaes, 2006) and Denmark (Schmidt & Rygaard, 2006) which all follow the principle that the transfer of ownership takes effect between the parties or *vis-à-vis* third persons from the moment the transfer agreement foresees. The registration does not affect the material rights of the persons involved, it only serves as a presumption of ownership in administrative procedures.

2.3. A register vested with positive publicity

The industrial property register may be conceptualized as a means of providing legal certainty in transactions. One possibility to implement this principle is to adopt the model of the register vested with positive publicity. This means that the transfer of industrial property is dependent upon entry in the register. The agreement between the transferor and transferee thus has a legal effect only if the transfer is registered. In other words, the acquirer of an industrial property right does not become an owner until the entry is made in the relevant register. Consequently, the contractual acquisition of the ownership without the involvement of the register is not possible. The register is

vested with positive publicity: third persons may rely on facts entered in the register.

Austria can be named as one example of countries which have adopted this approach for patents. Pursuant to Section 43(1) of Austrian Patent Act a lien and other rights *in rem* relating to patent rights shall be acquired and binding on third parties upon entry in the Patent Register. This means that the entry in the patent register has constitutive nature, and only the register provides reliable information on the patent ownership (McGuire, 2008b, p. 220; Thiele, 2012, p. 12).

This model can also be found in the regulations adopted in the Baltic states. For instance, pursuant to the Estonian Trade Marks Act (§ 18 (3)) the transfer of a registered trade mark enters into force as of the date of entry of the corresponding amendment in the register. This model has been adopted in 2004. In 2008, the Supreme Court of Estonia has noted that *before* 2004, transfer of trade mark was based on a transaction and the register had only an informative function (Estonian Supreme Court decision No. 3-2-1-73-08, p. 18). This may be understood as affirmation that the *current* trade mark register entry has a constitutive effect.

In Lithuania, too, the registration of the assignment of industrial property rights has a constitutive effect, i. e. no transfer is effective without the registration (see Birštonas et al., 2010, p. 442). This conclusion stems from article 42.4 of the Lithuanian Patent Law which provides that the right to a patent or a patent application shall be obtained as of the date of the registration with the State Patent Bureau. Some leading officials of the State Patent Bureau of the Republic of Lithuania have expressed their opinion that a transfer agreement itself should have an effect between the parties, for example, with regard to monetary obligations or/and damages. This opinion has not yet been confirmed or rejected in case law. However, it has been accepted among experts and clearly established in the case law that without registration a person is unable to enforce claims arising from the patent. Particularly, it was stressed that such an agreement produces no legal consequences for the Lithuanian courts or the State Patent Bureau (see Judgment of Lithuanian Supreme Court of 5 May 2004 in civil case No. 3K-3-287/2004; Judgment of the Court of Appeal of Lithuania of 24 April 2006 in civil case, No 2A-12/2006). The same situation is with the transfer of designs (Republic of Lithuania Law on Designs, 2002, Art. 40.5). The same rule (and even more categorically expressed) is found in Lithuanian Law on Trade Mark regarding the transfer of the right to a trademark. The law states that a transfer of the right to a registered trademark shall be invalid if the data relating to the transfer has not been entered in the Register of Trade Marks of the Republic of Lithuania (Art. 43.5).

In Latvia, the register is vested with positive publicity for transactions regarding semiconductor topographies and plant varieties rights. It is provided that the transfer of ownership of any of these industrial property objects is in force only if the fact of transfer of ownership is recorded in a register, i.e. such an entry into the register is constitutive. In the case of semiconductor topographies, it is even stressed that every transaction shall be registered; otherwise it is not

valid (Art 11 (6) Latvian Semiconductor Topographies Act). Similar provision is included in the case of transfer of ownership and licensing of breeder's rights (Art 27 (2) Latvian Plant Varieties Protection Act).

If third parties are permitted to rely on what is entered on a register, it seems natural to conclude that *bona fide* acquisition of industrial property should be accepted. However, this is not always the case. In some legal systems which make the transfer of ownership dependent on the registry entry, the possibility of *bona fide* acquisition is neglected. For example, it is argued in Estonian doctrine that the industrial property legislation does not provide for *bona fide* acquisition of industrial property rights (Köve, 2009, p. 213). No respective Estonian court practice can be reported.

In Latvia, *bona fide* acquisition might be considered possible at least at the legislative level. So, in the case of the patent register (yet such regulation is not provided in the case of other industrial property registers) it is provided that the register has public credibility (Art. 47 (3) second sentence Latvian Patent Act). Yet, the legal definition of public credibility is provided neither in this case nor in other cases when Latvian law envisages that a particular register, i.e. the land register, is declared to have public credibility (see generally [Petrijums par Civillikuma lietu tiesību daļas pirmās, otrās un trešās daļas modernizācijas nepieciešamību](#), pp. 24–28). Moreover, Latvian court practice in relation to the land register which is subject to the principle of public credibility has been contradictory (*ibid.*). It could be, therefore, assumed that Latvian courts would disregard the reference to the principle of public credibility in the case of the patent register and therefore refuse *bona fide* acquisition for patents as well as other industrial property objects altogether. The legislation for the register of plant varieties provides for a completely different regulation than in the case of the patent register. It envisages that an applicant and a breeder is liable for, among others, the veracity of information to be included into the register (Art 12 (4) Latvian Plant Varieties Protection Act).

2.4. A register vested with negative publicity

The model of a register vested with negative publicity is another way which can be used for implementing the second concept described above (see [Section 2.1](#)). Under this model, the transfer of ownership of industrial property is not made dependent on its recordation, e.g. the register entry does not have constitutive effect. Instead, an incentive for the parties to register the change in ownership is created by the negative publicity attributed to the register. Negative publicity means that a fact which is not entered on a register does not affect third parties.

Latvia is an example of industrial property registers relying on the concept of negative publicity for the transfer of ownership of patents, designs, and trade marks. So, in the case of the patent register, the Latvian Patent Act provides that until an entry is made in the register whereby the ownership is transferred, the acquirer shall not be entitled to use his or her rights against third parties (Art 51 (3) second sentence Latvian Patent Act). A similar

provision is provided in the Latvian Act on Designs, Art 42 (3) of which envisages that before the change of an owner is entered in the Register, the successor in title may not exercise the rights arising from the registration of the design. Though this provision does not explicitly refer to third persons as in the case of the Latvian Patent Act, it is clear from this provision that it refers to consequences of the transfer of ownership of a design against third parties but the transfer of ownership of a design as such is in force even if it is not recorded in the designs register. This model is supported in Latvian legal literature (see [Rozenfelds, 2004](#), p. 116). It is followed in case of trade marks as well: a trade mark transfer with respect to third persons shall take effect on the date of publication in an official gazette but a trade mark acquirer may not exercise the rights arising from trade mark registration prior to the date when the change in ownership is entered into the register (Art 25 (5) second sentence Latvian Act on Trade Marks and Indications of Geographical Origin). Therefore, an acquirer of the trade mark may not rely on rights arising from registration of that trade mark upon the entry into a register is taken place but transfer of ownership in respect of that trade mark is valid.

Though both the Patent Act and the Act on Designs provide that the person who has been entered in a register as the proprietor either of a patent or a design, shall be considered the proprietor of the patent or the design (Art 51 (3) second sentence Latvian Patent Act; Art 42 (3) first sentence Latvian Act on Designs), it is clear that the *bona fide* acquisition is not recognized by Latvian courts (for reasons for such attitude in Latvia, see [Section 2.3](#), above).

As far as it may be learned from publicly available data base of Latvian courts' judgements, Latvian courts have not expressly dealt with the nature of publicity of industrial property registers so far. Latvian legal scholars have dealt with the nature of industrial property registers very little (for assignment and its consequences in Latvia see, for instance, [Poļakovs, 2001](#), p. 279 et seq.; [Rozenfelds, 2004](#), pp. 116–117, pp. 204–206). At the same time, the division of declaratory and constitutive entries are discussed in Latvian legal literature (see [Poļakovs, 1999](#), p. 74). However, available Latvian court practice in relation to entries into the State trade mark register demonstrates that Latvian courts recognise its nature as being a register with negative publicity. At the same time, this court practice reveals that Latvian courts refuse the *bona fide* acquisition in the case of assignment of industrial property objects, at least regarding registers with negative publicity.

For example, in one case plaintiff brought an action in Latvia for invalidation of assignment contracts of several trade marks and annulment of entries of the change of trade mark proprietors in the State trade mark register. The legal basis of the action was the fact that the assignment was proceeded by a representative of the former proprietor who acted *ultra vires*. The dispute arose about law that should be applicable for resolving disputes over assignment contracts as the former proprietor was a Moldavian company but trade marks were registered in Latvia. By reviewing this case, Latvian courts were obviously considering that if the action would be successful, the transfer contracts would be declared invalid and,

consequently, respective entries on change of a proprietor would be annulled ([Judgment of the Civil Cases Department of the Senate of the Supreme Court of the Republic of Latvia of 27 April 2011 in case No SKC-131/2011](#)). Similarly, by reviewing an action on similar grounds between the same persons in relation to a different trade mark in an earlier case, Latvian courts invalidated an assignment contract and annulled an entry of the change of trade mark proprietor in the State trade mark register ([Judgment of the Civil Cases Department of the Senate of the Supreme Court of the Republic of Latvia of 22 March 2006 in case No SKC-220](#)). These cases demonstrate that annulment of the entry of a register having negative publicity takes place if a respective assignment contract is declared invalid whereby third parties are informed about the current proprietor of a trade mark in question.

In another Latvian case, plaintiff brought an action for, inter alia, recognition of rights in a trade mark which was registered in the State trade mark register and was assigned to a new acquirer on the basis of a transfer contract. The change could not take place as the incorrect registration number was indicated in the assignment contract and, therefore, the Patent office could not introduce an entry about new proprietor of that trade mark into the State trade mark register. The court refused the claim on the ground that the trade mark indicated in the contract does not correspond to a trade mark whose recognition is sought, i.e. the court refused to admit that the error concerning the registration number was just misspelling error ([Judgment of the Civil Case Panel of the Supreme Court of the Republic of Latvia of 13 March 2014 in case No PAC-0223-14 C04309111](#)). This case again shows that entries into the State trade mark register vested with negative publicity are made only on the basis of an assignment contract for the knowledge of third parties.

Some features characteristic to this regulatory model can also be found in current Estonian industrial property law. For example, Sections 45(7) and 45(8) of the Patents Act provide that a patent is deemed to be transferred to another person from the date of transfer pursuant to a transaction, but the transferee may commence to use of the rights of the proprietor of the patent as of the date on which the entry on amendment of the registration data becomes valid. However, it is not clear if third persons acting in good faith are allowed to rely on the register, since the law does not *expressis verbis* foresee this and the issue has not been clarified by the courts.

2.5. A way to a harmonized approach

As demonstrated, the Baltic countries follow different approaches as to the importance given to the register entry reflecting the transfer of industrial property rights. The analysis also shows that the legislators have not chosen one model for all types of industrial property but several models may be found within one legal system. Moreover, this varied approach differs from country to country. For example, it is not possible to say that the patent transfer cases in all countries analysed are allocated to one model and the trade mark cases to another model. Quite contrary, it becomes apparent that, for example, in patent cases the

Table 1

Regulative models of transfer of patents and trade marks.

	Estonia	Latvia	Lithuania	Germany
Declarative register				Patent Trade mark
Register vested with positive publicity	Trade mark		Patent Trade mark	
Register vested with negative publicity	Patent	Patent Trade mark		

German regulation follows the declarative register model, Lithuania seems to follow the positive publicity register model, and Latvia and Estonia apply the model under which the register is vested with negative publicity. The findings regarding regulative models of transfer of patents and trade marks in the Baltic states and in Germany are shown in [Table 1](#):

Such observations lead to a search for more unified approach which would best serve the interests of market participants and promote development of the knowledge based economy. For instance, as the Baltic states often represent a single market from an international investors perspective, the investment climate could benefit from a similar regulation of the industrial property registry models.

The basic principles concerning legal regime of some industrial property objects are subject to harmonisation at the EU level. This concerns trade marks ([Directive 2015/2436](#)), designs ([Directive 98/71/EC](#)), and biotechnological inventions ([Directive 98/44/EC](#)). However, this harmonisation does not relate to industrial property registers or entries in these registers concerning transfer of ownership of the relevant industrial property objects.

A closer look should also be taken at the genuine Community IP rights. It appears that the norms regarding transfer of Community trade mark (regulation 207/2009, amended by [Regulation 2015/2424](#)) provide that as long as the transfer has not been entered in the register, the successor in title may not invoke the rights arising from the registration of the Community trade mark (art. 17 (6)) and that the rights conferred by an EU trade mark shall prevail against third parties from the date of publication of the registration of the trade mark (art. 9b(1)). The expression “may not invoke the rights” (instead of “shall not acquire the rights”) refers that the transfer of ownership is not made dependent of the register entry (see also [Kur, Bomhard, & Albrecht, 2016](#), Rn. 49). In other words, this implies that the Community trade mark regulation uses the model described above as the register vested with negative publicity. The same applies to Community design (in particular, articles 28(b) and 33(2) of the regulation 6/2002) and Community plant variety rights (art. 23(4) of the regulation 2100/94). In contrast, the EU regulation on unitary patent leaves the issues of transfer of rights to the national laws (art. 7 of the [Regulation 1257/2012](#)) and has therefore been criticized for fragmentary approach (see [Max Planck Institute, Opinion \(2012\)](#), p. 2).

Recently attempts to provide a balanced model

applicable for transfer of all types of industrial property have been made in some EU member states. For example, the authors of German Model Law on Intellectual Property (see Ahrens and McGuire, 2012) have opted for the model under which the register is vested with negative publicity. As a deviation from the current German regulation (see Section 2.2), it follows from Section 143(1) of the Model Law that transferring or licensing of registered intellectual property rights and *in rem* encumbrances become effective against third parties only after registration, unless a person (e. g. a third party) was aware of an unregistered transaction. The solution chosen in the Model Law means that in case of contrary disposals, registration will be decisive, and *bona fide* acquisition from a registered non-owner is possible.

The same conceptual approach has been chosen as a basis of the Estonian draft of the Industrial Property Code (on the codification, see Kelli, 2015). The first sentence of Section 13(3) of the draft Industrial Property Code provides that the transfer of registered industrial property is deemed applicable with regard to third parties only if such transfer is entered in the register. The second sentence expressly allows *bona fide* acquisition by saying that if a person acquires a right to industrial property in good faith relying on the register, the register is deemed correct with regard to that person. The wording of this draft provision was inspired by Section 9 of the Estonian Central Register of Securities Act which provides that “(1) Rights to securities entered in the register are deemed applicable with regard to third parties only if such rights are entered in the register. (2) If a person acquires a security or a right to a security in good faith relying on the register, the register is deemed correct with regard to that person”.

The authors find that the model used in the German Model Law and in the Estonian draft of the Industrial Property Code is in line with the transfer regimes concerning several industrial property types regulated at the EU level and argue that this approach should also be used as a model for harmonisation in the Baltic states.

3. Case studies

3.1. Contractual practice

New insights can be gained through the analysis of contractual practice on the transfer of industrial property. For instance, in trademark assignment contracts in Estonia, the issue of registration is not in the centre of attention in transactions. Drawing on the Estonian experience, the assignment of intellectual property often takes place as a part of a larger transaction, often covering more than one Baltic state. As parties are hesitant to disclose the details of such transactions to third parties, but evidence of transfer of title has to be submitted to the registry, a separate Appendix A regarding transfer and receipt of the trademark rights is added to the contract (Trademark Assignment Deed). An application is submitted to the Estonian Patent Office (*Eesti Patendiamet*) requesting the registration of the change of the trademark ownership.

Interestingly enough, although there is a potential risk that the request to change the registry entry is refused, the obligation to transfer the title to the trademark is in practice seldom secured with a contractual penalty. The associated risks are somewhat reduced by the fact that the process of the change of the registration is in practice speedy and efficient. The contractual remedies are often limited to those foreseen by the law.

Sometimes the contracts even exclude the liability of the assignor in case of any obstacles which prevent or delay the registration of IP due to the third party claims against trademark or domain names (e.g. non-use cancellation actions or domain name dispute complaints) and delays by the relevant registers. In such cases, in practice, parties merely agree to *bona fide* cooperation with the aim of overcoming such obstacles. Such clauses deviate significantly from the rules applicable in standard contract law. In contract law the non-transfer of the title would be considered as a breach of contract independent of whether or not it was caused by third party intervention.

In practice patent assignments in Estonia are conducted

Table 2
Patent filing and economic development (selected countries, authors' compilation based on WIPO, 2014).

State	Population			GDP, PPP, US\$ (basis 2011)			Patent filing	PCT patent applications, 2014	
	2014						2014	Total	Share in top 10, (%)
	Million	Per capita	Total, Billion	Total	Industry	University ^a			
Finland	5.46	38.60	210.73	14,070	1815	97.5	2,5 ^a		
Sweden	9.69	44.03	426.62	23,854	3925	95,4 ^b	0		
Estonia	1.31	25.94	33.98	278	29	76.9	23.1		
Latvia	1.99	22.46	44.7	193	29	50	50 ^a		
Lithuania	2.93	25.70	75.31	254	49	70.6	29.4		
Slovakia	5.42	26.35	142.8	454	65	60	40		
Czech Rep.	10.51	28.70	301.6	2180	189	81.2	18.8		
Hungary	9.86	23.61	232.82	1434	159	77.4	22.6		
Iceland	0.33	40.94	13.51	302	43	100	0		
Malta	0.43	28.37	12.2	475	58	100	0		
Malaysia	30.19	23.58	711.79	2661	314	28.6	71,4 ^a		
Singapore	5.47	78.95	431.88	5927	944	32.7	67,3 ^a		

^a Incl. Governmental R&D agencies/institutes.

^b Share in all PCT patent applications in 2012.

in a very similar manner. Patents are assigned using a separate [Appendix A](#) to a larger transaction (e.g., an [Appendix A](#) to a co-operation framework agreement). In such transactions usually all or most of intellectual property is transferred in bulk and the terms of agreements tend to treat such property with common contractual clauses (i.e. not having separate sets of rules differentiating between the registration differences between patents or trademarks). The use of registration related penalties is rather an exception.

3.2. Interviews

The empirical study focuses on the patent transfer, and universities in the Baltic states are the main stakeholders interviewed. Before the results are analysed, it is necessary (1) to position patentable knowledge production among comparable countries, and (2) to assess the situation for active institutions in these countries. The contribution of patenting towards welfare and economic development is different in countries with different income level as presented in the [Table 1](#). Besides the population and income factor, several other aspects are influencing the linkages between economy and IP ownership. These could be, besides the size and structure of the economy, history and political system, education and R&D system ([Table 2](#)).

Without undertaking an in-depth comparison of the historical background, similar transition characteristics of Slovakia, Czech Republic and Hungary are pointed out. Finland and Sweden represent high-income innovation leaders, frequently seen as benchmarks for the Baltic States. Although the economies of the Baltic States are 3–12 times smaller, and per capita income is approximately twice as low, the number of PCT patent applications characterizing industrial property in the international trade is more than hundred times lower. The share of universities among PCT patent applicants in these countries is very high ([Table 1](#)), fluctuating up to 76% in Latvia and 47% in Lithuania (2013), in Estonia it was 50% in 2012. Slovakia follows similar pattern. That trend is remarkable in Hungary and Czech Republic which belong to the same (post-communist) historical and income group as the Baltic States. In this context, the small economies of Iceland and Malta (which can be used as benchmarks for the Baltic states) also follow the pattern of old European countries. Malaysia and Singapore demonstrate that a similar outcome could be reached by countries with very different income level. The governments of these two countries interfere strongly in their economies and innovation process: a substantial share (up to 2/3) of applications ranking among the top PCT patent applicants belongs to governmental agencies. From this short overview the authors assume that the transfer models of patent rights are mainly relevant for the knowledge-based economies (economically higher developed countries relying on the commercial exploitation of knowledge). In other words, if only very few patent transfers take place, the regulations concerning the transfer are not of utmost importance. For companies that are knowledge-based the transfer is relevant and transfer related problems arise for companies (and other organizations, e.g., universities)

operating on the international markets. Partly, the problem is related to the universities and governmental agencies protecting R&D outcomes for strategic purposes. Considering the regular annual reports by the World Intellectual Property Organization ([WIPO, 2014](#)) and the authors' personal experience it was easy to compile the sample of universities to study situation empirically. Also, some more (university spin-off) companies' IP managers were questioned.

Based on the theoretical overview above with the aim to map situation among the companies and universities (as R&D institutions) were formulated the following questions (sent to IP managers):

1. Should patent rights be transferred after the registry entry (the registry model) or according to a contract (the contractual model)? Your opinion? Explain.
2. What are the main problems concerning contractual transfer of patent rights you have met?
3. What are the main problems concerning the transfer of patent rights based on registry entry, your experience?
4. Do you monitor the change of ownership of patent rights (related to your competitors)?
5. Could the registry model (patent rights are transferred only after a registry entry) be a problem for the transfer of an entire patent family? Your experience?
6. Could the registry model (patent rights are transferred only after a registry entry) be a problem in case of a chain transfer (the acquirer plans to transfer the acquired rights to third party immediately)?
7. Could the contractual model (patent rights are transferred according to a contract) affect your freedom to operate (the register does not reflect the actual ownership of patent rights and you do not know who could license you an invention)? Any influence on patenting and cross-licencing?

All the answers with the statistical data of the universities are presented in the [Appendix A](#). Based on the results of the questionnaires the authors conclude that the question of the transfer of patent rights has not become relevant yet and have practically no impact on the innovation process. An example of the concrete innovation processes are spin-off companies based on the inventions (patents) of the Tartu University and being active on the global biotechnology market. The IP manager ([Leego, 2016](#)) of several spin-offs expressed a similar opinion that the transfer of patent rights has not become topical yet. This also means, patent ownership registration does not affect freedom to operate by Estonian biotechnology SMEs. As the patent statistics above ([Table 1](#)) reveals, the Baltic states have not completed the transformation into the knowledge-based economy. Since patenting activity is low, the number of transactions is low as well. Nevertheless, all the respondents admitted that the transfer model is becoming relevant. The main message was that the register should provide adequate and reliable information. In other words, the respondents prefer to rely on the register. If the register does not reflect the actual owner, it could entail the risk of fraudulent behaviour. It could be inferred from the answers that although everyone should be entitled to

assume the correctness of the register, this should not affect the validity of the contract stipulating the transfer. Legal clarity regarding the ownership is important in several contexts (e.g., the acquisition of rights, monitoring competitors and partners conduct, identification of potential business partners, etc.).

4. Conclusions

The research shows that different models of transfer of industrial property rights are used from country to country. Examples were identified where several alternative models are used within a single jurisdiction, depending on the type of the industrial property being registered. In order to facilitate cross-border transactions involving more than one Baltic state, the authors find that the industrial property registry models should be similarly regulated. The authors have found that from the legal point of view, it would be preferable to use the model under which the transfer of ownership of industrial property is not made dependent on its recordation, e.g. the register entry does not have constitutive effect; a fact which is not entered on

a register does not affect third parties. This is the model which is also rooted in the EU (Community trademarks, designs, plant varieties). The authors also have found that this model should be applied to all types of industrial property.

The overview of the contractual practice and the data collected by interviews reveals that the issues relating to the transfer of industrial property are not very topical at the moment. One of the possible reasons for that might be that the Baltic states have not transformed into the knowledge-based economy. This is evidenced by the low patenting intensity. Based on the interviews it may be concluded that the stakeholders involved in transfers point out that the register should provide correct information and third parties should be able to rely on it, and that the accuracy of the registry is required for monitoring and identification of potential partners and competitors.

Appendix A

See [Table A1](#).

Table A1
Different regulatory models to transfer of industrial property rights and their impact on organizational strategies^a.

General information	University of Tartu	Tallinn University of Technology	Kaunas University of Technology
Founded	1632	1918	1922
Number of			
1) Students (full time)	13,600	12,000	10,856
2) Employees	3500	2 100	2421,5
2.1) Academic employees	1775	1157	779,5
2.2) Full professors	195	148	173
Legal status	Legal person in public law	Legal person in public law	Legal person in public law
R&D funding, M€ (2014)	40.6	36,4	7,17
IP ownership regime	Institutional ownership	Institutional ownership	Institutional ownership
Number of			
1) patents	36	45	16 ^b
2) pending patent applications	34	28	4
Patents sold (2006–2014)	5	2	0
2015	0	1	
Sold patent applications sold (2006–2014)	1	1	0
2015	0	8 (the same patent application in different countries)	
Transfer specific information			
Should patent rights be transferred after the registry entry (the registry model) or according to a contract (the contractual model)? Explain.	Patent registry should provide adequate and reliable information.	It would be better if you can rely on the registry. You should be able to see who the actual owner is.	I would tend to support the registration model, as I think it is important to see not only the first patent owner, but also the following owners. It is quite important for the acquisition of rights, legal disputes, as well as the competitive market analysis.
What are the main problems concerning contractual transfer of patent rights?	There is no legal clarity regarding the ownership.	The potential for fraudulent behaviour. This is mainly important for the buyer to determine whether the patent has not been previously sold.	The question is not relevant, because contractual transfers are not recognized under the Lithuanian law.
What are the main problems concerning transfer of patent rights based on registry entry?	Lack of flexibility.	Lack of flexibility. High administrative burden.	Lack of practice in this matter. I think that problems may arise due to the time-limit of registration.
Do you monitor the change of ownership of patent rights?	Yes. The aim is to identify potential cooperation partners who	In principle we should. However, do to time constraints it is	We are focusing more on the first patent owners of new inventions.

Table A1 (continued)

General information			
	University of Tartu	Tallinn University of Technology	Kaunas University of Technology
	could be interested in buying IP and commission research services from the university.	difficult. The aim is to determine who are potential competitors and who might be interested in inventions developed at the university.	Owners' change is not intensively monitored.
Could the registry model (patent rights are transferred only after a registry entry) be a problem for the transfer of an entire patent family?	This involves higher administrative burden.	Since different countries have different formal requirements for the patent transfer then this increases administrative burden.	Also lack of practise experience. But I think that problems may arise due to the time-limit of registration and different registration time-limits in different patent offices.
Could the registry model (patent rights are transferred only after a registry entry) be a problem in case of a chain transfer (the acquirer plans to transfer the acquired rights to third party immediately)?	The university tries not to be involved in chain transactions.	It is important to have some flexibility.	Again, lack of experience. But probably the problem could be with inventions with strong commercial potential, when registration could limit the commercialization process.
Could the contractual model (patent rights are transferred according to a contract) affect your freedom to operate (the register does not reflect the actual ownership of patent rights and you do not know who could license you an invention)?	To some extent since there is no clarity regarding the ownership.	In order to avoid problems, the transfer of a patent should be based on the registry entry. The patent register should reflect reliable information so that the third party can rely on it.	Because we do not have many experience in these matters, it is difficult to say whether the contractual model could affect our freedom to operate.

^a The information in the table is collected from: 1) the **University of Tartu** webpage (<http://www.ut.ee/>); University of Tartu Annual Report 2014 (http://www.ut.ee/sites/default/files/www_ut/ut_annual_report_2014_04.06.2015.pdf). Additional information regarding the University of Tartu was given by Reet Adamsoo, (telephone interview on 29 February 2016, e-mail communication on 10 March 2016). 2) **Tallinn University of Technology** (TUT) webpage (<http://www.ttu.ee/en/>), TUT Research and Development 2014 (<http://www.ttu.ee/public/t/teadus/TUTResearchAndDevelopment2014/index.htm>). Additional information regarding Tallinn University of Technology was given by Kersti Peekma (telephone interview on 26 February 2016, e-mail communication on 2 March 2016). 3) **Kaunas University of Technology** webpage (<http://ktu.edu/lt/>); Kaunas University of Technology Annual Report 2014 (<http://ktu.edu/lt/universitetas#Ataskaitos>). Additional information regarding Kaunas University of Technology was given by Greta Žekienė (e-mail communication on 9 March 2016).

^b One patent is co-owned.

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