

## Report Q 157

by the Ecuadorian Group

### The Relationship between Technical Standards and Patent Rights

#### I. Basis for technical standards

##### Conflicts

According to their nature, technical standards, construed as technology unification means to be applied by those involved in a given field, are exclusivity contracts pertaining to intellectual property rights derived from the ownership of a patent or utility model.

Its convergence or relation lies in the fact that standarization or "normalización" as called in our country, may frequently occur upon registered patents, during the registration process.

The world generalized tendency, in which we are definitely involved, of "harmonizing" systems, legislations and, of course, standards, cannot be ignored in order to understand, compatibilize, and ultimately optimize resources based on technical conditions that meet such goals.

In Ecuador, the large percentage of registered patents belong to international patents since local investment and research processes are yet limited.

Nevertheless, we consider we must identify the limits between rights derived from patents and their compatibility with standarization processes, and define the legislative policies providing such rights for coexistence by observing the legitimate interests of the patent holders and allowing, at the same time, access to high technology.

##### Types of national/international standards

The national "technical standards" are found in rules such as the Reglamento Técnico de Normalización (Technical Standarization Regulation)<sup>1</sup>, Reglamento a la Ley del Sistema Nacional de Ciencia y Tecnología (Regulation to Law on the National Science and Technology System)<sup>2</sup>, Reglamento para la Concesión de Certificados de Conformidad, INEN (Regulation for the Concession of Agreement Certificates, INEN)<sup>3</sup>.

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<sup>1</sup> Published in Oficial Register 150 dated March 17, 1999.

<sup>2</sup> Published in Oficial Register 403 dated March 26, 1986.

<sup>3</sup> Published in Oficial Register 128 dated July 26, 2000.

In what concerns international technical standards, these are found in the different ruling bodies, especially those related to hydrocarbons, energy, aeronautics, telecommunications, among others. Also, they are referred to in instruments such as the Organic Law on Consumer Defense<sup>4</sup>.

### **Who sets those standards**

At the national level, the public standards for general enforcement are established through the publication of the corresponding Ministerial Agreement in the Official Registry<sup>5</sup>.

We must note that INEN is undergoing a modernization process and will become a technical department of the National Council on Quality<sup>6</sup>.

In relation to ISO international guidelines, in Ecuador the Technical Standardization Regulation became effective and describes the procedure for the respective development, study, and approval procedure and Technical Standard INEM 0 as of which Ecuador became part of the Panamerican Technical Standardization Council.

Other mechanisms determining subjection to international technological standards, as we mentioned above, take place in the processes related to exploitation and modernization of areas such as energy, telecommunications, hydrocarbon exploitation, etc., in which case, subjection to standards is based on the invitation to participate that is frequently set by the public entity entrusted with the project. Such entity, after qualifying a proposal takes into consideration the technical parameters for its assessment.

### **De jure and de facto standards**

De jure standards are set by rules providing their enforcement's binding nature. In reference to the above, the following definitions must be noted:

"Normative Document: A document issued by INEN providing the rules, instructions or characteristics for activities or results, such as Ecuadorian technical rules, codes and practice guides and technical regulations."<sup>7</sup>

"Ecuadorian Technical Rule, NTE INEN: A document issued by INEN and officialized through decree by the Ministry of Foreign Trade, Industrialization and Fishing, providing the rules, conditions or methods to resolve repetitive problems based on research and studies collecting consolidated results from science, technology, and experience, and the criteria of all interested sectors."<sup>8</sup>

"Ecuadorian Code of Practice, CPE INEN: A document issued by INEN and officialized through decree by the Ministry of Foreign Trade, Industrialization and Fishing, describing

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<sup>4</sup> Published in Oficial Register 21 dated July 10, 2000.

<sup>5</sup> A promulgation and difusión entity whereby legal and regulatory provisions become effective.

<sup>6</sup> Created through Executive Decree 401, published in Oficial Register 87 dated May 30, 2000.

<sup>7</sup> 7 Art. 2 g), Technical Standardization Regulation.

<sup>8</sup> Art. 2 h), Technical Standardization Regulation.

the practices recommended for the design, manufacturing, construction, maintenance, use of equipment, installations, structures, or products."<sup>9</sup>

"Ecuadorian Technical Regulation, RTE INEN: A document approved by INEN, issued by the Ministry of Foreign Trade, Industrialization and Fishing providing compulsory technical requirements directly or by reference to a technical rule, technical specification, or code of practice."<sup>10</sup>

"Ecuadorian Guide of Practice, GPE INEN: A document issued by INEN through decree by INEN General Director recommending the set of rules and introducing and disseminating specific work procedures."<sup>11</sup>

In relation to de jure international technical standards:

"Adoption: Nationalization of an international, regional rule or a national rule from another country as an Ecuadorian technical rule. Adoption shall follow the same procedure as other Ecuadorian technical rules and, after nationalization, shall have the same value."<sup>12</sup>

### **Who are they addressed to and their binding nature**

De jure standards are addressed to those involved in a specific work area for which they are compulsory.

On the other hand, compliance with de facto standards, while not nationalized through "adoption", basically depends on competitive advantages for their users.

## **II. Possible conflicts between technical standards and IPR**

As we have mentioned before, the pretension of a generalized use of high technology in specific areas implies the need for invention patents which definitely grant exclusive rights on behalf of their owners or legitimate licensee and, thus, opposes the "generalized use" policy.

An example of this trend is directly or indirectly found in the legal provisions that acknowledge such interconnection, e.g. among the functions of the Bureau of Technical Information Service of the Ministry of Foreign Trade is that of "receiving and responding to technological information petitions contained in international patents by analyzing the subject, searching and delivering such information."<sup>13</sup>

According to reports from the local office of intellectual property, up to date no conflicts have arisen on the matter, but definitely relevant items related to the adequate protection of intellectual property rights must be considered, with a view to technological development promotion and enforcement.

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<sup>9</sup> Art. 2 i), Technical Standardization Regulation.

<sup>10</sup> Art. 2 j), Technical Standardization Regulation.

<sup>11</sup> Art. 2 k), Technical Standardization Regulation.

<sup>12</sup> Art. 2 o), Technical Standardization Regulation.

<sup>13</sup> Art. 99 q), Organic Function Regulation of the Ministry of Foreign Trade, Industrialization and Fishing, published in Official Register 228 dated January 5, 1998.

There are no official organizations of patent holders or groups dedicated to "technological standarization". As we mentioned, this may obey to the incipient local research.

However, this does not reduce the matter's significance since the mechanisms available to cover the legitimate interests of all parties must be clarified.

In the first place, in the case of non patented inventions, any inventor developing a project of the kind that may require experimenting or building a mechanism that compels him/her to make the idea public, can request a protection certificate directly from the National Bureau of Industrial Property for a term of one year prior to the submittal of the patent application.

This may be a provisional protection mechanism for such inventions that are in the process of acquiring patents.

In what concerns the territorial issue, standards are generally adopted for all subjects active in a given area, whether they are nationals of expatriates exploiting a specific field in Ecuador that requires technology subject to standarization.

The acknowledgement of international de jure standards, as we mentioned above, is carried out through express rules, laws, regulations, public bid bases, etc.; in what concerns de facto standards, these are enforced as policies that benefit their offerors.

No rules have been identified for patent or discrimination fora of any kind in this area.

### **III. Policies, conflict resolution means**

Due to their nature, intellectual property rights are protected through IEPI (Ecuadorian Institute of Intellectual Property) agencies, as the specialized body.

However, the basic protection for patents is addressed to providing "exclusive" rights on a registered invention. Therefore, among the express powers granted to the holder of a patent, is that of impeding third persons from delivering or offering means to put the patented invention in practice or that any unauthorized act or fact tending to make public all or part of the patented invention or its effects.<sup>14</sup>

There is not yet any "relevant inventions" qualification nor the imposition to reveal inventions deemed strategic. Nevertheless, the concept observed to access in certain cases and under given circumstances to the exploitation of a specific patented invention, is the regime of compulsory licenses.

We must note that in case of compulsory licenses, the invention's holder cannot be obliged to stop exploiting his/her invention.

"Upon prior statement from the President of the Republic in case of reasons of emergency, national security, or public interest, and solely while such reasons remains, the State may subject the patent to a compulsory license at any time and, in such case, the National

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<sup>14</sup> Art. 149, e) & f), Law on Intellectual Property.

Bureau of Industrial Property may grant the requested licenses, regardless of the patent holder's right to compensation..."<sup>15</sup>

"At the request of the party and upon prior judicial verdict, the National Bureau of Industrial Property may grant compulsory licenses when practices that have been judicially declared contrary to free competition are filed, especially when they are deemed an abuse of the patent holder's prevailing position in the market."<sup>16</sup>

In what concerns conflict resolution containing intellectual property rights, the Law on Intellectual Property provides the possibility of resorting to an alternate mediation and arbitration system:

"Any controversy on intellectual property may be filed for arbitration or mediation in accordance with the Law on Arbitration and Mediation ... To this end, IEPI is hereby authorized to execute the respective arbitration agreement without need to consult with the State Procurator General."<sup>17</sup>

Our country's experience in conflict resolution through mediation and arbitration offered by different entities (Chamber of Commerce of Quito and Guayaquil, the Ecuadorian-US Chamber of Commerce, and other chambers and universities) has been quite positive and the trend to resort to such reliable alternative is increasing. Therefore, we consider this an alternate means provided that, as set forth in the Law on Arbitration and Mediation, there is agreement of the parties thereupon.

#### **IV Licence policites, royalties**

As we mentioned above, compulsory license regimes are subject to certain conditions that justify them:

1. The potential licensee must prove he/she has tried to obtain the authorization from the holder of the rights in reasonable commercial terms and conditions, and that such efforts have received no response or have been rejected within a minimum term of six months starting from the date of the official petition containing such terms and conditions so as to allow the patent's holder to have a criteria;
2. The compulsory license shall not be exclusive and shall not be transferred, not even through a sub-license, to other than the company party allowing industrial exploitation and with the patent holder's consent. All of the above shall be contained in writing and registered before the National Bureau of Industrial Property;
3. The compulsory license shall be mainly granted to supply the local market when the product is not produced or imported, or the territory of a country member of the Andean Community or any other country with which Ecuador holds any custom unit or equivalent agreement;

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<sup>15</sup> Art 154, first paragraph, Law on Intellectual Property.

<sup>16</sup> Art. 155, Law on Intellectual Property.

<sup>17</sup> Art. 374, Law on Intellectual Property.

4. The licensee must acknowledge to the patent holder royalties for the patent's non exclusive exploitation, under the same commercial terms as in case of a voluntary license. Such terms may not be inferior to those proposed by the potential licensee; and in the absence of an agreement by the parties, after the National Bureau of Industrial Property is notified of the license concession, such terms shall be established by the latter;
5. The license shall be immediately revoked if the licensee fails to comply with payments and other obligations; and
6. The compulsory license shall be officially revoked or revoked at the request of the patent holder, if the circumstance that lead to such license disappear, notwithstanding the adequate protection to the licensee's legitimate interests.<sup>18</sup>

We must bear in mind that, at the request of the patent holder of the licensee, the license conditions may be amended through the National Bureau of Industrial Property, when facts justify it and when the patent holder grants another license under more favorable conditions than those of the compulsory license.

Decision 344 of the Andean Pact also sets forth the obligation to exploit a patent, directly or through a third authorized person. The regime of compulsory patents, in light of community rules, also sets some conditions such as the lack of exploitation of the patent by its legitimate holder. The granting of a compulsory license to a third person means the latter has failed to obtain a contractual license in reasonable conditions and he/she must prove technical and economic ability to carry out the industrial production of the product matter of the patent or the integral use of the patented procedure. There is obligation to pay the patent holder an adequate compensation.

Likewise, in case of public interest, emergency or national security, and while such specific conditions last, the Government may subject the patent to compulsory license at any time. The compulsory license's concession must determine its scope or extension and specify the term, the purpose and the amount and conditions of royalty payment.

In what concerns the provisions of TRIPS - of which Ecuador is signatory - the provisions of Art. 31 for this type of license are gathered in two bodies mentioned above (Law on Intellectual Property and Decision 344 and corresponding regulations.) Therefore, we can say that TRIPS standards are observed and developed through the community and Ecuadorian laws.

Finally, the Convention of Paris, ratified by Ecuador, sets principles such as the "minimum standard" and "national treatment" and contains the granting of compulsory licenses for patent among the basic provisions (Art. 5.)

We must point out that work meetings held among the Andean Pact countries on matters such as increasing competition, foreign investment behavior, technological policy design, insufficiency of resources addressed to research, must create mechanisms in the

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<sup>18</sup> Art. 156, Law on Intellectual Property.

legislative systems to allow amending traditional "monopoly" concepts on patents which, in definitive, would restrain the subregion's technological development.

For the above, clear and transparent mechanisms are required to facilitate convergence and respect of rights derived from inventions and the optimization of their use through standarization processes.