

Licensing Important to Hungary

Government policy traced since World War II; today licensing is on international scale

Before World War II Hungary was mainly an agricultural country, although it had a strong industry for about 60 years. After the war, industry developed to a great extent, and now the bigger part of the national income derives from industry.

Also important is the weight of foreign trade. It may be surprising, but it is a fact that about 40 percent of the Hungarian agricultural and industrial production is exported, and the volume of imports lies naturally also about this figure. The foreign trade therefore plays a very important role in the Hungarian economy.

Concerning development policy of industry following World War II, there was a strong trend to establish an autarky, i.e. to produce at home everything that is necessary for the Hungarian market. And parallel to this, there was another idea: to ensure technical development by exclusive reliance on Hungary's scientists and research workers. But in the 1960's it became clear that, in that period of scientific and technical revolution, such ways and methods were not realistic and could not be implemented. There is no doubt that buying patent licenses and know-how is in many areas more economical and practical than one's research and development work. An economy which wishes to compete with its products on the international markets cannot forego the technological achievements of other countries.

Prevailing Policy

This became and is now the prevailing policy of the Hungarian industry: to learn from others, to employ the ways of cooperation, to buy patents and know-how when useful and necessary. The policy is to concentrate research facilities and possibilities upon items, problems and development projects which are within reach of the Hungarian scientists and technicians and cannot be solved easier, quicker and cheaper through international cooperation and licensing.

Of course this is only one side of the question. On the other side, the Hungarian industry, owing to the cleverness of the Hungarian scientists, engineers, and skilled workers, is steadily developing the technological processes. Worldwide there are many Hungarian inventions, and due to this circumstance, the Hungarian industry is not only accepting, but in the same measure also giving and selling new inventions and know-how in the frame of cooperation agreements, license agreements or otherwise.

This relates not only to the Comecon countries where cooperation has been raised to interstate level, due to the fact that on both sides state-owned enterprises and re-

search institutes participate in this collaboration process, but relates also to the countries outside the Comecon, whether European highly developed countries or developing countries in other continents.

Among the Comecon countries the Soviet Union stands

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in first place both in respect to giving and to getting know-how and technical assistance and cooperation; but the GDR, Czechoslovakia, Poland, Bulgaria are also very important partners.

Hungary found big and important collaborating and licensing partners in Western Europe as well. West Germany, Italy, United Kingdom, Switzerland, and France are to be mentioned in first place, and not only as sellers but also as buyers of patents and know-how.

Cooperation is the leading principle in establishing joint companies abroad. Their number is not high so far, but their share in the Hungarian foreign trade is growing. Quite a number of Hungarian industrial enterprises or foreign-trade companies are partners in such joint ventures, especially in the developing countries.

Recently a new law made it possible to establish companies with foreign participation in Hungary with the aim of better collaboration.

Some information regarding the system of licensing in Hungary: The sale of patents or know-how and the granting of licenses is channeled through state-owned companies. There are a few enterprises which specialize in selling and buying patents, know-how, licenses; e.g. the enterprises Licencia and Novex, participating at the Fair. But all enterprises which have the right to export goods, have got the right to sell or buy patents and know-how belonging to the same group of goods. The number of such enterprises is under a hundred, and among them are big factories as well as foreign trading enterprises specializing in the sale and buying of certain goods.

All the above mentioned state-owned enterprises have the right to conclude license agreements. But all these contracts are subject to the approval of the competent authorities.

Licensing agreements between Hungarian and other companies have generally the same form and main points as those concluded in the respective branch of business all over the world. Hungarian companies are allowed to pay royalties; the rate depends on the same circumstances as everywhere: the importance and value of the invention and of the know-how accompanying the patent, amount of the necessary investments, granting of territories with or without exclusive sales rights, etc. Other conditions are also well known but depending on the case e.g. down payment, minimum royalty, patent guarantee, sending of experts, arbitration clause, taxation, etc.