"HENRI COANDA"
AIR FORCE ACADEMY
ROMANIA

"GENERAL M.R. STEFANIK"
ARMED FORCES ACADEMY
SLOVAK REPUBLIC

INTERNATIONAL CONFERENCE of SCIENTIFIC PAPER
AFASES 2014
Brasov, 22-24 May 2014

RISK MANAGEMENT AND RISK TYPE ANALYSIS SPECIFIC TO INTELLECTUAL PROPERTY IN INDUSTRIAL PROFILE COMPANIES

Ramona PAKOCS, Nouraş Barbu LUPULESCU

Romania, Transylvania University of Brasov, Engineering and Management Department,
ramona.pakocs@unitbv.ro
nouras@unitbv.ro

Abstract: *Before being marketed, any product has been conceived, designed, manufactured, based on schemes, drawings protected against internal and external theft of intellectual copyright or by documents / certificates / patents. After being marketed, the product becomes the source for copying, denigration etc. All these actions are risk sources.* ***Risk management*** *helps us identify, analyze and treat the specific risks of intellectual property. To overcome these specific risks of intellectual property it is necessary and obligatory to make an analysis of the types of risks within industrial profile companies in order to minimize the possible disastrous effects in research and production activities.*

Keywords: *creation, product risk, protection, analysis, identification, minimization.*

1. INTRODUCTION

In accordance with ISO / IEC Guide 73:2002, risk can be defined as the combination of the probability of an event to happen and its consequences. [3]

In the industrial profile companies in all types of activities, there are events and consequences that could generate opportunities for gain or threats leading to loss.

Although in most cases are taken into account only the negative consequences of risk, risk management includes both positive and negative aspects of risk, and methods of prevention and reduction of its effects.

Adverse effects of the different types of intellectual property risks in the industrial profile companies can be disastrous, but the application of an efficient risk management, aims to identifying factors that could affect the proper functioning of the organization.

2. RISK MANAGEMENT AND RISK ANALYSIS OF SPECIFIC TYPES OF INTELLECTUAL PROPERTY RISKS

2.1. Risk management

In the general context of management, knowledge, risk management is the systematic approach to risk within an organization, understanding by organization the broad sense of the term as defined by international standards in quality. Considering, however, the management as an "art" when the risk management can be defined as "**Art of keeping uncertainty under control**." [1]

Risk management is a key component of strategic management of any organization, ensuring effective management of potential opportunities and adverse effects of different types of risks.

By **risk management process** the organization consistently applies policies,

procedures and practices for the identification, analysis and treatment of risk. [2]

In the category of **intellectual property risks**, internal / external **risk factors** that can act are mainly represented by:

- failure to supervise the market, (A)
- cession, licensing contracts and, in general, transfer of rights agreements, and contracts with employees wrongly drawn or negotiated, (B)
- unfair competition acts from the company towards the competing market or from competing market towards the company, (C)
- undervaluation or overvaluation of negotiable intangible assets that can lead to large losses in either the percentage of participation in the joint venture contracts or the failure to sign them (D)
- infringement (piracy) of copyright by the company against competing market either by representatives or individuals from competing market towards the company, (E)
- counterfeit of trademark or products / services, (F)
- counterfeit of patented inventions, (G)
- counterfeit of industrial design, etc., (H) as follows in Figure 1:

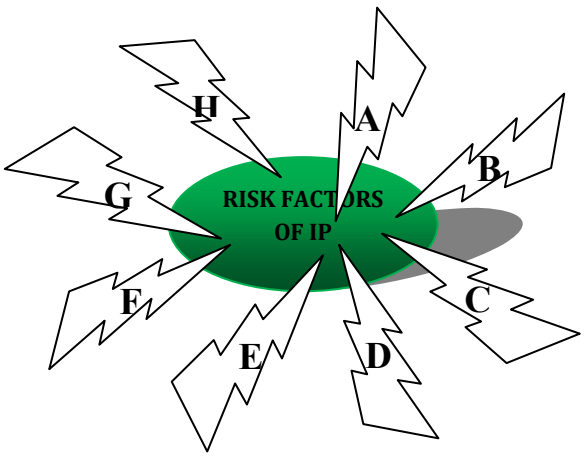

Figure 1. Risk Factors of IP

2.2. Analysis of the specific risk of intellectual property

From studying the sources of risk in the strategy of industrial profile companies, intellectual property they be divided into the following important types of risk:

- Risks of conception / creation;
- Specific assumed IP production risks;
- Marketing risks;
- Management risks;
- Social risks. [2]

In industrial engineering we can express each risk by the following formulas:

$$R = P \times C \qquad (1)$$

Or

$$R = F \times C \qquad (2)$$

Where:

P – Is the probability of a negative event to happen.

C - Is the consequence of occurrence of that event.

F - Is the frequency with which the event can happen.

Both relations are equivalent and will be expressed by value units divided by time units: USD / year USD / month etc.

Risk management at the company level is designed to identify potential events that may affect the organization.

Risk management process in the company consists in seven related components that are integrated into the general management of the organization and are represented in the following diagram: [1]

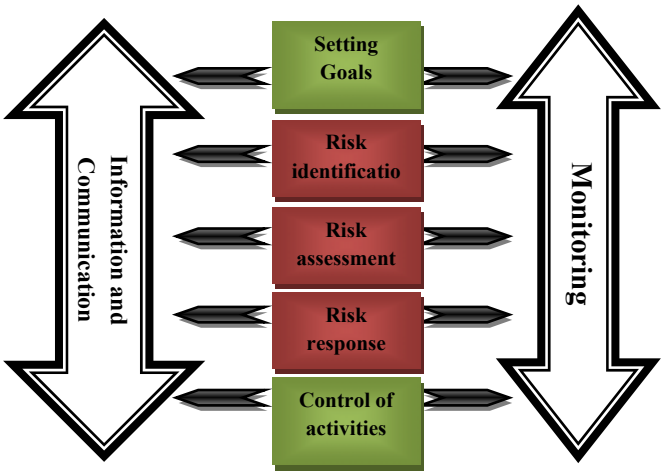

Figure 2. Risk management process at the company level

To demonstrate the need to implement a management strategy for the prevention of risk in intellectual property, we will analyze a case study on the risks of conception / creation.

For reasons of confidentiality the company was named S.C. ALFA S.A., then changing its name to S.C. BETA S.A.

2.3. Case study on the analysis of conception / creation risk and non-contractual abuse at S.C. ALFA S.A.

This case study approaches the development and extent of the rights on the scientific engineering work on the route "project - patented invention - technical work" as a result of revocation of a patented invention.

Analysis of the case study is made based on the expertise in industrial property, namely on the patent no. 79533 of 26.04.1982 - **Hydraulic control block** (Figure 3), Holder: the company S.C. ALFA S.A. and provides solutions that can be applied within large companies in machinery industry, formerly state companies, but avoided for unknown reasons. [2]

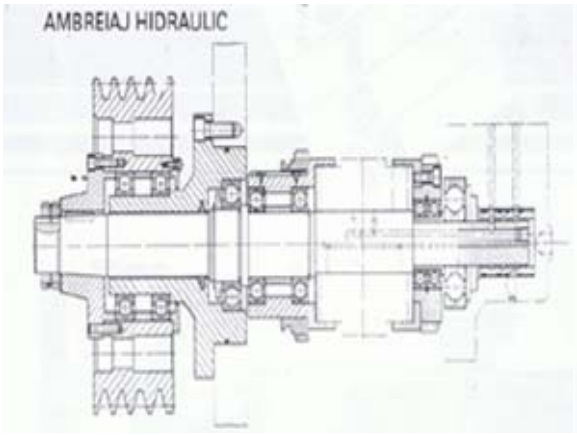

Figure 3. Hydraulic clutch subject of patent no. 79 533 - Hydraulic control block

It was analyzed step by step the protection evolution of the invention subject, and the transition from paid protection under special law to unpaid protection as a result of the general law, as it follows:

- 18.06.1956 – Decree no. 321 on copyright
- 30.10.1974 – Law No. 62 on inventions and innovations

21.09.1981 – Beginning of the protection period regarding the patent no. 79533. Filing date of the patent.

- 01.04.1983–The period covered by the lawsuit no. 8/1995

- 31.03.1987- at this time there is no one agreement on the payment way.

PERIOD OF UNPAID PROTECTION

- 21.09.1988 - The final date the invention object was protected by Patent under Law no. 62/74.
- 22.09.1988 -The date the invention object was not longer protected by law no. 62/74 on inventions and innovations.

Neither the provision imposed by law no. 64/91 on invention patent, on partly of totally unpaid rewards. Revocation is due to non-payment of fees for maintenance in force. Inventors were not announced. Revocation is enforced.

- 21.01.1992 - Entry into force of the Law no. 64/1991 on patents. Repeal of Law no. 62/1974 on inventions and innovations.

- 24.06.1996 - Entry into force of the Law no. 8/March 14, 1996 on Copyright and Related Rights (promulgated on 21/09/1996. Entry into force was made 90 days after its publication in the Official Gazette. No. 60 on March 26, 1996). Repeal Decree no. 321/56 on copyright.

On 09.21.1981 the company ALFA S.A. requires OSIM urgent patenting of an invention that the authors, two engineers had designed and then assigned under law No. 62 of 1974 on inventions and innovations. **Under the law, it was assigned the patent, not the right to use the object of the patent.**

Until 01/04/1983, inventors are paid according to the law in force then.

Between 01.04.1983 - 2002, the invention is applied by S.C. ALFA S.A., either as general assembly (**Figure 4**) or as spare parts.

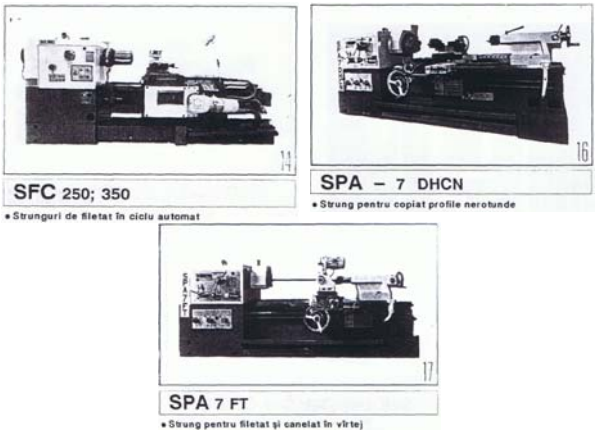

Figure 4. Three of ALFA's lathes patented under no. 79533 of 26.4.1982 - Hydraulic control block.

From 31.03.1987, S.C. ALFA S.A., now, S.C. BETA S.A. has not paid taxes to OSIM the invention being cancelled.

S.C. BETA S.A. did not announce inventors that it was no longer interested in paying annual taxes for maintaining invention protection. From this time there is no agreement on payment.

However S.C. BETA S.A. continues to apply the former invention. Financial rights of inventors have NOT been negotiated between the inventor and the unit that applied the invention. The unit had to notify because, according to Article 41/L64-91 "The holder may waive, in whole or in part, the patent, based on a written statement filed with the State Office for Inventions and Trademarks. In case of inventions referred to in art. 5 paragraph 1 a) and paragraph 2 and the inventions assigned according to art. 5 paragraph 1 b) the patent holder is obliged to notify the inventor about his waiver intention, upon the request of the inventor; the holder is required to transfer his patent rights." **Therefore, it is an illegal usage.**

S.C. BETA S.A. stood on the provision of art. 41/L64-91 "*Invention or part thereof, whose protection was waived, can be freely exploited by third parties*." But prevalence was made illegal because it cannot be taken from the context of the whole article 41.

Without settling accounts with inventors, fraudulently applying Part 4 of art. 41/L.64-91,

S.C. BETA S.A. still applies the technical work, former invention. As a result, the inventors summon to court S.C. BETA S.A., this time for failure to comply with the Supreme Court decision to stop producing the invention object, and for additional damage. For this second period S.C. BETA S.A. has not concluded a license agreement or assignment with the holders of the rights.

Defendant's lawyers invoked the statute of limitations, according to Decree no. 167/58, [*** 58] recognizing that there is a right to claim, but just to show that it is prescribed.

3. CONCLUSIONS

The most important aspects and conclusions analyzed are:

1. A first issue concerns the validity of the patent and, related to this, to whom belongs the duty to inform on the progress of the invention, and thus of the operation as a result of the holder's payment obligation to the inventor under the contract, the legal provisions related to the monies dues, and the transfer of the right over the patent from holder to the inventor.
2. A second issue relates to the forfeiture of holder's rights due to non-payment of annual fees to maintain the patent in force
3. A third issue is that the author of the work enjoys rights throughout his life.
4. A fourth issue related to this case is the exclusive right of exploitation of the patent and work.
5. The author has the right to patrimonial repair in case of using his work without right.
6. Sixthly, copyright is exercised over scientific works: plans, drawings, i.e. projects and scientific documentation. The employed author of a work is the owner of his creation and has the exclusive right to exploit it.
7. As long as the scientific work has the character of an invention, it is not protected by Law no. 8/1996, only by Law no. 64/91. When the novelty feature disappears, the scientific work will be protected under Law no. 8/1996.
8. If the holder is no longer interested in applying the invention, he must notify both the inventor to take it and OSIM. Exploitation of an invention in case of article 5, b) / L.64-91 without a contract is a counterfeit.

REFERENCES

1. Bârsan- Pipu, N., Popescu I., *Risk Management.Concepts.Methods. Applications.* Braşov: "Transilvania" Publishing House (2003).
2. Fântână, R.S., *Research on integrated quality - risk management of technical - economic intellectual property*, PhD Thesis, "Transilvania" University. Brasov Faculty of Technological Engineering (2008).
3. Patriche C. F., *Research on integrated quality – risk management in technical and economic restructuring of companies, PhD Thesis, "Transilvania" University of Brasov, Brasov (2007).*
4. Law no. 64 from October 11, 1991 (*(republished) *) on patents *) ISSUER: PARLIAMENT; Published in Official Gazette no. 541 of August 8, 2007.

ACKNOWLEDGMENT

This paper is supported by the Sectoral Operational Programme Human Resources Development (SOP HRD), financed from the European Social Fund and by the Romanian Government under the contract number **POSDRU, ID 134378.**