

Georgian Tax and Legal News Refer to the Law



Law on Innovations

On 12 July 2016, the Law on Innovations entered into force. The main purpose of this law is to facilitate the socioeconomic development of Georgia in addition to creating a entrepreneurial technological base for innovative products and services and strengthening their export potential.

The law broadly defines new legal concepts and terms, including innovation, innovative products, innovation processes, organisational innovation and innovative marketing.

Additionally, the law outlines the main responsibilities for the Georgia's Innovation and Technology Agency (GITA) (hereinafter, the "Agency"), according to which the Agency shall facilitate the process of utilising and commercialising innovative technologies. The law also regulates government grant programmes for innovators and addresses issues regarding intellectual property. Namely, that intellectual property belongs to an employer or a client (not its inventor) during the research and development phase of an innovative project financed by the Agency. However, the project supervisor is obligated to include the inventor's name during the patent registration process. Moreover, the inventor shall receive a share in the respective royalties, as defined by the government.

A public interest mechanism applies to intellectual property that was patented with the help of the government. If the patent holder has not utilised the patent or if there is reasonable doubt that they ever will, the government has the authority to grant the patent license to another individual or legal entity or utilise it itself, in accordance with the established rules.

The following laws shall be affected by the Law on Innovations and subsequently require respective amendments:

- Law on Grants
- Georgian Tax Code
- Law on Science, Technology and Their Development

Important changes to the Georgian Civil Procedure Code

The Parliament of Georgia adopted certain changes to the Georgian Civil Procedure Code that protect the rights of third parties in cases where the parties to a dispute settle proceedings amicably or where a respondent acknowledges an action.

According to the Georgian Civil Procedure Code, before a respondent acknowledges an action or parties settle a dispute amicably, a certificate of encumbrance shall be presented to the court. The certificate should certify that the subject of the dispute (tangible and/or intangible property) is not being used to secure other rights (mortgage, pledge, etc.). The dates of the certificate shall be valid upon the acknowledgement of an action by the respondent or amicable settlement.

Case Law

On 6 February 2013, the Tbilisi Court of Appeals made an important decision as regards “the invalidity of contract provisions” (Case No. 28/4123-12).

The court ruled that a contract or its provision does not comply with moral standards and public order when it contradicts the principle of social fairness or when it forces one of the parties to the contract into an unreasonable situation. Circumstances that imply the intent of the party to enter into a contract have to be taken into account when evaluating the provisions of the agreement, its content and legal nature.

The court established that an unreasonably high interest rate of a loan agreement concluded between individuals compared to the average market interest rate of the credit institutions, contradicts the key principles enshrined in a contractual relationship, namely moral standards and public order.

Therefore, the court satisfies the claim within the range of the average interest rate on the market on national or foreign currency.

Georgian Legislative Tracking is available [here](#).

Deloitte Legal

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If you have any questions regarding the information provided in this newsletter, please contact one of the Tax & Legal professionals at our Deloitte office in Georgia:

Giorgi Tavartkiladze
Director of Tax & Legal Department

gtavartkiladze@deloitte.ge

Giorgi Khurodze LL.M., MLB (Bucerius/WHU)
Head of Legal, Attorney at Law

gkhurodze@deloitte.ge

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deloitte.ge

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