

Law on Innovation Activity

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I. BASIC PROVISIONS

Subject of the law

Article 1

This Law shall regulate the organisation, conditions, manner of financing, and promotion of innovation activities to enhance the national innovation system by developing innovation capacities and innovation infrastructure for Montenegro's economic development, as well as other matters relevant to innovation activity.

Innovation activity

Article 2

Innovation activity shall include a set of activities of state and local self-government, business sector, scientific and academic community, civil sector and citizens, which are aimed at modernising economy, developing and applying product and process innovation, using innovative production technologies, introducing new business models, etc, as well as developing capacities and infrastructure for the said activities.

National innovation system

Article 3

The national innovation system shall comprise of mutually interconnected systems, the Government of Montenegro (hereinafter: the Government), state administration bodies, local self-government units, Council for Innovation and Smart Specialisation and Innovation Fund of Montenegro, which manage innovation activity, promote its development and finance it; as well as entities performing innovation activity, entities providing innovation infrastructure, investors in innovation activity, and other entities from the field of science, education and economy which contribute to the development of innovation capacities, creation of ideas and application of innovation.

Innovation policy

Article 4

Innovation policy shall include strategies and programmes defining the developmental directions, priorities, and measures to promote innovation activity and enhance the national innovation system.

Innovation policy shall define the priorities and developmental directions of innovation activity through a smart specialisation strategy and other strategies and programmes that regulate the innovation area, adopted by the Government upon the Council's proposal (hereinafter: the Council).

The Smart Specialisation Strategy shall be adopted for the period of six years, while other strategies and programmes regulating the field of innovation shall be adopted for a period of up to five years.

Availability

Article 5

The performance of innovation activities shall be free and available to everyone under equal conditions.

The entities of innovation activity shall be equal in the use of incentives on the basis of performing the innovation activity, under the conditions stipulated by the Government.

Innovation activity entities

Article 6

Innovation activity entities shall be:

- Entities performing innovation activity;
- Innovation infrastructure entities;
- Entities which invest in and donate to innovation activity; and
- Other innovation activity entities.

Types of innovation

Article 7

Types of innovation shall be:

- product and service innovation, business process innovation or combination thereof;
- Technological and non-technological innovation; and
- Innovation in the economic sector, innovation in the public sector and social innovation.

Innovation from paragraph 1 of this Article must be a novelty for a legal entity, domestic, regional or international market.

Types of innovation activities

Article 8

Innovation activities performed by the innovation activity subject, aiming to create innovations, shall be:

- Research and development;
- Engineering, planning, design and other creative activities;
- Marketing and branding;
- Activities regarding the creation and protection of intellectual property;
- Education and training of employees for the use of innovation;
- Software and database development;
- Purchase, renting and acquisition of fixed assets - facilities and specialised equipment and own production of these goods to create innovation;
- Innovation management; and
- Other activities aiming towards innovation development”.

An innovation activity entity may perform innovation activities referred to in paragraph 1 of this Article independently or in cooperation with other entities.

Use of gender-sensitive language

Article 9

All masculine-gender terms used in this Law to refer to natural persons shall be understood to include the feminine gender.

Definitions

Article 10

Terms used in this Law shall have the following meanings:

- 1) **Innovation** - a new or improved product or process, or a combination thereof, which differs considerably from the existing or past products or processes, and which has been made available to the potential users (products) or put into use (process);
- 2) **Product innovation** - a new or improved service or product, which differs considerably from the past products or services of natural persons or legal entities and which has been introduced to the market;
- 3) **Business process innovation** - a new or improved business process for one or more business functions, which differs considerably from the past business processes by a natural person or legal entity, and which has been implemented by that entity or person.
- 4) **Business model innovation** - a comprehensive change of the key business processes (production, logistics, marketing, business cooperation), and the main product and service, to achieve a considerable

growth of a company, based on modern technologies;

- 5) **Technological innovation** - an innovation based on a modern technological achievement, while a **non-technological innovation** involves an innovation in organisation or management, or an innovation in design, i.e., a user-based innovation that is developed through the joint development of an innovative solution with users.
- 6) **Innovation in the public sector** - a new or improved product or process, or a combination thereof, which differs considerably from the previous products and processes, under the authority of an organisation from the public sector - a state or a local self-government, developed with the participation of the business sector, or without it, and may include a public
- 7) **Social innovation** - includes new solutions (products, services, models, markets, processes, etc.) which simultaneously meet social needs in a more effective manner than the present ones and lead towards new or improved capacities and relations and better use of means and resources, i.e. Are beneficial for the society and strengthen its capacity for action;
- 8) **Innovative activity** - includes all developmental, financial, and commercial activities undertaken by a natural person or a legal entity intended to promote innovation development.
- 9) **Innovation project** - a set of activities created by legal entities and/or natural persons, with a clearly defined goal, project management model, necessary resources, time frame and expected results, through the implementation of which innovation activity programs are carried out and development of new or improved products, services or processes and their introduction into the market, or in use is promoted.
- 10) **Innovation programme** - a set of innovation projects and activities, created by the innovation activity entities, with a clearly defined goal, priorities, work organisation, necessary resources, time frame and expected results, through the implementation of which developmental strategy of an innovation activity entity is carried out and its strategic orientation towards innovations as a factor in the strengthening of competitiveness is achieved.
- 11) **Research and development (RD)** - includes creative and systematic work with the aim of increasing the knowledge fund and creating new applications of the available knowledge. RD must be new, creative, uncertain, systematic, transferable, and/or repeatable. It includes basic (fundamental) and applied research (industrial research and experimental development or their combination).
- 12) **Invention** - a result of creative thinking of an individual or a team, that is, a development of the idea concept for a new product, service or process with the potential to be transformed into an innovation;
- 13) **Transfer technologies** - include transferring results from scientific research onto the market or society, along with the accompanying skills and procedures. As such, they represent a key element of the technological innovation process.
- 14) **Innovation activity programme** - a part of innovation policy used to define measures for improving the product commercialisation, creation of special conditions for the development of advanced technologies, developing innovation infrastructure, capacity-building for innovation activity, international cooperation in innovation and other activities carried out in cooperation of the national innovation system entities;
- 15) **Entity performing innovation activity** - a natural person who performs an independent activity, registered in line with the specific law or a legal person, established in accordance with the law and based in Montenegro, which creates an innovation, markets new knowledge and technologies, originally and systematically applies scientific results and modern technological process to develop and apply innovation, and which has been entered into the Registry of innovation activity.
- 16) **Innovation infrastructure** - facilities, technical and technological equipment, software and network of knowledge for the support of implementation of innovation activities, provided by an appropriate entity to spread knowledge and raise awareness on innovation, supporting the creation and strengthening of innovative economic entities, valorisation of I&R results, improving innovation capacities of economy and universities, internationalisation of business operations and scientific activities, cooperation between the economic, scientific, academic and public sector and strengthening of the scientific basis of the society.
- 17) **Start-up** - a micro or small enterprise that is not older than five years from the day of registration, has not distributed its profit, was not established through a merger, and develops and uses innovation with the potential of accelerated market growth.
- 18) **Spin-off** - a newly established company created as a result of scientific research or technology transfer, by separating from the existing legal entity, aimed at the commercial exploitation of research and innovation results.
- 19) **Inventor** - a natural person who performs a self-employed activity and deals with research and development of inventions that have been patented at the national or international level.
- 20) **Donor** - a legal or natural person who donates their funds to start-ups, spin-offs, licensed scientific research institutions or the Innovation Fund of Montenegro
- 21) **Freelancer** is a national or foreign legal entity with a residency in Montenegro that pursues a self-employed activity by providing intellectual services to meet the needs of domestic and foreign legal entities and natural persons.
- 22) **Investor** - a legal entity or natural person investing their funds in other entities performing innovation activities, that is, in shares and stocks of start-ups and spin-offs; and
- 23) **Cluster** - a network of mutually interconnected legal entities and/or natural persons from the related

industries with a broad spectrum of inter-economic relations, and represents a group of interconnected economic bodies, research institutions which are closely located in spatial terms, and which mutually develop specialised expertise, skills, services, resources and the network of suppliers and customers.

II. IMPLEMENTATION OF INNOVATION ACTIVITY

Innovation programmes and projects

Article 11

Innovation activity financed from the funds of state administration bodies, local self-government units, or a fund promoting innovation activity shall be implemented through innovation programmes and projects in line with the priorities defined by the strategies and programmes regulating the field of innovation.

Additionally, innovation activities shall be implemented through special programmes and projects of natural persons and legal entities in Montenegro.

Detailed conditions, the approval procedure, and the manner of use of funds for innovation activities referred to in paragraph 1 of this Article shall be stipulated by a state administration body, a state self-government unit implementing the support programme, or a fund promoting innovation activities, in accordance with the regulations.

Public call for applications

Article 12

The state administration body, the local self-government unit or a fund promoting innovation activity shall announce a public call for financing innovation programmes and projects referred to in Article 11, paragraph 1 of this Law, in line with available funds.

Assessment of innovation programmes and projects

Article 13

Independent experts appointed by the state administration body, local self-government unit, or a fund implementing the support programme shall evaluate innovation programmes and projects referred to in Article 1, paragraph 1, of this Law, while respecting the principles of independence, impartiality, objectivity, accuracy, and consistency in assessment.

A state administration body, local self-government unit and the Fund referred to in paragraph 1 of this Article shall be obliged to protect the identity of the independent expert during the implementation process of the assessment of innovation programmes and projects, as well as within five years from the end of the process, to preserve the integrity and objectivity in assessment.

The state administration body, local self-government unit, or a fund implementing the support programme shall define the criteria for the appointment of experts and the procedure for evaluating innovation programmes and projects referred to in paragraph 1 of this Article.

Contract on the implementation of innovation programmes and projects

Article 14

Mutual rights and obligations between the state administration body, local self-government body or a fund financing an innovation programme or support project and the beneficiaries of the funds for the approved innovation programme or project referred to in Article 11 of this Law shall be regulated by a contract.

Intellectual property rights

Article 15

The use of intellectual property rights stemming from the results of an innovation programme or project shall be regulated by the contract referred to in Article 14 of this Law, in accordance with the regulations governing the field of intellectual property rights.

Database

Article 16

The state administration body competent for science and innovation (hereinafter, the Ministry) shall regulate and manage the database for the field of innovation activity.

Innovation activity entities shall be obliged to provide the necessary data for database management.

The Ministry shall process the submitted data solely for the purposes of innovation activity, exercising oversight, providing finance, and controlling, monitoring, and analysing the situation in innovation activity, as well as for analytical purposes.

Council

Article 17

The Council shall manage innovation activities through cooperation between state administration bodies, local self-government units, the economy, and other relevant entities.

Responsibilities of the Council

Article 18

The Council shall analyse the situation and achievements in innovation activity, provide expert recommendations and shall be authorised to:

- Propose policies and strategies regulating the field of innovation and technological development in Montenegro to the Government;
- Give an opinion on proposals of laws and other regulations from the field of innovation activity, as well as other fields, ensuring general conditions for the promotion of innovation activity and use of its results.
- Monitor implementation of strategies regulating the field of innovation and technological development in Montenegro;
- Define programmes in the field of innovation and smart specialisation;
- Cooperate with other councils and national innovation system entities; and
- Perform other tasks stipulated by this Law and the Act on the Establishment of the Council.

Composition of the Council

Article 19

The Government shall appoint the Council for a four-year period.

The Council shall be appointed from among representatives of the Government, state administration bodies, local self-government units, the scientific, academic, and business communities, as well as esteemed experts contributing to the development of innovation activities.

The Act on the Establishment of the Council shall define the number, composition, manner of appointment and dismissal of the Council's members and other matters of importance for the functioning of the Council.

Scope of the Council's activities

Article 20

The Council's activities shall be public.

The Council shall be obligated to make its conclusions, recommendations, and opinions publicly available.

Finances for the Council's operation shall be allocated from the Budget of Montenegro.

III. INNOVATION ACTIVITY ENTITIES

Legal entities performing innovation activity

Article 21

Scientific research institutions, centres of excellence and higher education institutions may be innovation activity entities if they perform innovation activities.

Entities referred to in paragraph 1 of this Article may establish special organisational units for the implementation of innovation programmes and projects.

Other legal entities performing innovation activities

Article 22

Companies, start-ups, spin-offs, and other legal entities, as well as parts of these entities, may be innovation activity entities if they develop, place on the market, or put into use innovations created as a result of their own innovative activities or the innovative activities of other market participants or entities.

Natural persons performing innovation activities

Article 23

Inventors, freelancers, and other natural persons may be innovation activity entities if they perform innovation activities that result in the creation of innovations.

Types of innovation infrastructure entities

Article 24

Innovation infrastructure entities shall provide support for the implementation of innovation activities. Innovation infrastructure entities may be:

- Science and technology park;
- Innovation and entrepreneurship centre;
- Technology business incubator;
- Technology transfer centre;
- Cluster organisation; and
- Other innovation infrastructure entities.

The entity referred to in paragraph 2 of this Article may be established as a company or in some other form of organisation.

The entity referred to in paragraph 2, items 2, 3, and 6 of this Article may be established as a part of a legal entity.

The entity referred to in paragraph 2, items 1 and 2 of this Article, which is majority-owned by the state, shall exercise public authority for matters within its field of work.

Science and technology park

Article 25

A science and technology park shall be an innovation infrastructure entity that ensures the use of specialised business premises and equipment, as well as professional and advisory services, for innovation legal entities and natural persons.

A science and technology park shall offer services and perform activities aimed at networking between academic community and economy, stimulating and managing the transfer of knowledge and high technologies, enhancing of internationalisation of business operations and commercialising scientific research, creating new and developing current innovation companies, creating and applying innovations based on highest scientific results, by promoting culture of innovation and competitiveness of companies and institutions based on knowledge to develop economy and state as a whole.

Beneficiary of the entity's services, referred to in paragraph 1 of this Article, may obtain the status of science and technology park tenant. A contract shall regulate rights and obligations between a science and technology park and its tenants.

Innovation and entrepreneurship centre

Article 26

An innovation and entrepreneurship centre is an innovation infrastructure entity that ensures the use of specialised business premises and equipment, professional and advisory services, and the provision of information and technical training to innovative legal entities and natural persons, as well as entrepreneurs.

The activities of an innovation and entrepreneurship centre shall aim to connect with potential partners for participation in national and international programmes, projects, and funds from various scientific fields, with the goal of creating new companies and developing current ones based on innovations and the transfer of knowledge, with the ultimate purpose of promoting economic development at the local or regional level.

Rights and obligations between the innovation and entrepreneurial centre and its beneficiaries shall be regulated by a contract.

Technology business incubator

Article 27

Technology business incubator is an innovation infrastructure entity whose primary function is to make business premises, administrative, technical, professional and advisory services available to entrepreneurs, innovation activity entities and other newly-founded companies in the field of innovation, development or application of present or new technological solutions in order to support economic growth at the local level.

The rights and obligations between a technology business incubator and its beneficiaries of its services shall be regulated by a contract.

Technology transfer centre

Article 28

A technology transfer centre is an innovation infrastructure entity, usually within a university or science and technology park, whose main activity is to perform the tasks of new technology transfers to companies, support in the application of innovations, promotion of implementation and commercialisation of technology transfers, advisory services and assistance in the protection and use of intellectual property rights.

Cluster organisation

Article 29

A cluster organisation is an innovation infrastructure entity if it supports strengthening of cooperation, networking and learning in innovation clusters, provides support by providing or directing specialised services in order to promote innovation activities, particularly in micro, small and medium enterprises and works on the development of the strategic partnership between clusters at a domestic and international market.

Other innovation infrastructure entities

Article 30

Other entities may provide infrastructural support if, within their field of work, they provide support to legal entities and natural persons performing innovation activities.

Entities investing in and donating to innovation activity and other innovation activity entities

Article 31

Entities investing in and donating to innovation activities, as well as other innovation activity entities, include legal entities and natural persons who invest in and donate to innovation activities, encourage or promote innovation activities, or provide support to innovation activity entities in some other manner.

IV. INNOVATION ACTIVITY REGISTER

Register

Article 32

Innovation activity entities shall be entered in the Innovation Activity Register (hereinafter: the Register).

Detailed conditions for the entry of innovation activity entities, entry procedure, verification of fulfilment of the requirements and erasure from the Register, shall be defined by the Ministry.

Keeping of the Register

Article 33

The Ministry shall keep the electronic register.

The Register shall be available to the public on the Ministry's webpage.

The Register's content, manner of entry and erasure from the Register shall be defined by the Ministry.

V. SUPERVISION AND FINANCING

Supervision

Article 34

The Ministry shall oversee the implementation of this Law.

Financing of innovation activity entities

Article 35

Innovation activity entities referred to in Articles 21 to 24 of this Law may be financed from:

- Their own revenues;
- Commercialised innovation, i.e., via transfer, sale or licensing of the results of their innovation activities.
- Venture capital funds;
- Investors' funds in the innovation activities;
- National and international programmes, projects and funds;
- Budget of Montenegro;
- Budget of local self-government units;
- Fund promoting innovation activity;
- Donations, sponsorships and legacies, and
- Other resources.

Financing priority

Article 36

The Government may define the priority in financing innovation programmes and projects, which are implemented on the basis of international cooperation programmes and programmes regulating the innovation field.

INNOVATION FUND OF MONTENEGRO

Establishment

Article 35

The Government shall establish the Innovation Fund of Montenegro (hereinafter the Fund) for the purpose of efficiently implementing the innovation policy, providing and applying funds aimed at promoting innovation activity.

The Fund shall be established as a limited liability company.

Scope of Fund's activities

Article 38

The scope of the Fund's activities shall be:

- Implementation of innovation policy by provision and allocation of financial resources from national, international and other resources towards the development of innovation entrepreneurship and promotion of cooperation between the scientific and economic sectors.
- Implementation of projects and programmes from the domain of smart specialisation strategy, in line with the Council's decision;
- Definition of the support instruments and manner of use of the Fund's resources;
- Promotion and attraction of investments in the innovation economy;
- Achieving cooperation with international institutions and organisations. State administration bodies, local self-government units, financial institutions and entities from the field of science, innovation, education and economy, to finance innovation activity and implementation of innovation policy;
 - Promotion of technology transfer and research, development and innovation in the private and public sector;
 - Promotion of business cooperation between companies from Montenegro and abroad, through the activities of research, development and innovation, technological transfer and commercialisation of research results;
 - Promotion of public-private investments that enable the establishment of venture funds for the development of innovation and entrepreneurship.
- Participation in international projects and programmes aimed at research, development and innovation;
 - Technical and advisory assistance to state administration bodies within programmes of national, international, and interregional cooperation, aimed at developing innovation, entrepreneurship and technology transfer.
- Supervision and monitoring of the implementation of programmes and projects that are within the Fund's competence.
- Other matters in line with the present Law, the Act on Establishment and the Statute of the Fund.

The Fund shall perform the scope of activities from paragraph 1 of this Article in the manner defined by the Statute and general acts of the Fund.

Provision of financial resources for the functioning of the Fund

Article 39

The Fund shall provide financial resources for its functioning from:

- The Budget of Montenegro;
- National and international programmes, projects and funds;
- Revenues from donations, legacies and sponsorships;
- Sale of shares or stocks or from the profit of companies where the Fund has its stocks or shares;
- Companies' revenues from the projects financed by the Fund; and
- Other resources, in line with the Law.

Financial resources referred to in paragraph 1, item 1 of this Article shall be secured based on the Fund's annual work programme.

VII. TRANSITIONAL AND FINAL PROVISIONS

Deadline for the establishment of the Council

Article 40

The Council referred to in Article 19 of the Law shall be established within 60 days from the date of entry into force of this Law.

The Council for Innovation and Smart Specialisation shall perform the function of the Council until the establishment of the Council referred to in paragraph 1 of this Article.

The term of office of the Council's members, appointed in line with the Decision on Establishment of the Council for Innovation and Smart Specialisation (Official Gazette of Montenegro, No 56/19), shall terminate on the day of the Council's constitution, in line with the present Law.

Deadline for the adoption of bylaws

Article 41

Regulations for the implementation of this Law shall be adopted within one year from the date of entry into force of this Law.

By-laws adopted on the basis of the Law on Innovation Activity ("The Official Gazette of Montenegro, No 42/16) shall be applied until the adoption of regulations referred to in paragraph 1 of this Article, provided they are not in contradiction with this Law.

Deadline for adoption of the Fund's Act on Establishment

Article 42

The Act on the Establishment of the Fund shall be adopted within 30 days from the date of entry into force of this Law.

Registration

Article 43

Legal entities that have been entered in the Register of Innovation Organisations on the day of entry into force of this Law shall be obliged to submit the request for entry in the Register of Innovation Organisations to the Ministry within a year from the date of entry into force of this Law.

Termination

Article 44

The Law on Innovation Activity ("The Official Gazette of Montenegro", No 42/16) shall cease to exist on the day of entry into force of this Law.

Entry into force

Article 45

This Law shall enter into force on the eighth day from the date of its publication in the "Official Gazette of Montenegro".