

LAW ON INNOVATION ACTIVITIES

I. BASIC PROVISIONS

Subject-matter

Article 1

The present Law shall regulate the organisation, conditions, manner of financing and stimulation of innovation activities for the purpose of improving the national innovation system through the development of innovation capacities and innovation infrastructure for needs of economic development of Montenegro, as well as other issues of relevance for innovation activities.

Innovation activities

Article 2

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

National innovation system

Article 3

The national innovation system consists of interconnected entities, the Government of Montenegro (hereinafter: the Government), state administration bodies, local self-government bodies, the Innovation and Smart Specialisation Council and the Innovation Fund of Montenegro, which manage innovation activities, encourage their development and finance them, as well as entities performing innovation activities, entities that provide innovation infrastructure, investors in innovation activities and other entities in the field of science, education and economy, which contribute to the development of innovation capacities, creation of ideas and application of innovations.

Innovation policy

Article 4

Innovation policy shall include strategies and programmes that determine the directions of development, priorities and measures aimed at encouraging innovation activities and improving the national innovation system.

Innovation policy shall determine the priorities and directions of development of the innovation activities through the Smart Specialisation Strategy and other strategies and programmes that regulate the field of innovation, which are adopted by the Government on the proposal of the Innovation and Smart Specialisation Council (hereinafter: the Council).

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

Availability

Article 5

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

In the use of incentives on the basis of performance of innovation activities, the innovation activity entities shall be equal, under the conditions prescribed by law.

Innovation activity entities

Article 6

Innovation activity entities shall be:

- entities performing innovation activities;
- innovation infrastructure entities;
- entities investing in innovation activities; and
- other innovation activity entities.

Types of innovations

Article 7

The types of innovations shall be:

- product and service innovations, business process innovations, or a combination thereof;
- technological or non-technological innovations; and
- economic sector innovations, public sector innovations and social innovations.

The innovation referred to in paragraph 1 of this Article shall be novel to a legal entity, domestic, regional or international market.

Types of innovative activities

Article 8

Innovative activities performed by innovation activity entities to create innovations shall include:

- Research and development;
- Engineering, design and other creative activities;
- Marketing and branding;
- Activities related to creation and protection of intellectual property;
- Education and training of employees for the use of innovation;
- Software and database development;

- Purchase, renting or acquisition of fixed assets – facilities and specialised equipment, or own production of these goods to create innovation;
- Innovation management; and
- Other activities aimed at innovation creation.

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

Use of gender-sensitive language

Article 9

The terms used in the present Law for individuals in the masculine gender shall equally refer to the same terms in the feminine gender.

Definitions

Article 10

The terms used in the present Law shall have the following meanings:

- 1) **Innovation** – a new or improved product or process, or combination thereof, which differs significantly from the existing or previous products or processes and has been made available to potential users (product) or brought into use (process);
- 2) **Product innovation** – a new or improved product or service that differs significantly from the previous products or services of legal entities or individuals and that has been introduced on the market;
- 3) **Business process innovation** – a new or improved business process for one or more business functions that differs significantly from the previous business processes of legal entities or individuals and has been brought into use by them;
- 4) **Business model innovation** – a comprehensive change in core business processes (production, logistics, marketing, business cooperation), as well as in main products and services, aimed at achieving significant company growth based on modern technologies;
- 5) **Technological innovation** – an innovation based on modern technological achievements, while **non-technological innovation** implies an organisational or management innovation, design innovation, i.e., user-oriented innovation that is developed through joint production of an innovative solution with users;
- 6) **Public sector innovation** – a new or improved product or process or a combination thereof, which is significantly different from previous products or processes, within the responsibility of a public sector organisation – state or local self-government, developed with or without the involvement of the business sector, which may include public-private partnerships;
- 7) **Social innovation** – new ideas which respond to needs of the society more effectively, creating social relations and new forms of cooperation, which can include products or models;

- 8) Innovative activities** – any scientific, technological, organisational, financial and commercial processes that result, or are intended to result, in an innovation development or implementation, including: innovative research and development activities and innovative activities that are not research and development;
- 9) Innovative project** – a set of activities, created by legal entities and / or individuals, with a clearly defined objective, project management model, resources needed, timeframe and results expected, whose implementation implies the realisation of innovation activity programmes and encourages the development of new or improved products, services or processes and their introduction to the market or use;
- 10) Innovative programme** – a set of innovative projects and activities created by the innovation activity entities, with a clearly defined objective, priorities, organisation of work, resources needed, timeframe and expected results. The implementation of an innovative programme implies the realisation of a development strategy of an innovation activity entity and implementation of its strategic orientation towards innovation as a factor of strengthening competitiveness;
- 11) Research and development (R&D)** – creative and systematic activities undertaken to increase the pool of knowledge and to devise new applications of available knowledge. In order for an activity to be considered R&D, it must be: novel, creative, uncertain, systematic and transferable and / or reproducible. The term R&D encompasses three types of research: basic research, applied research and experimental development;
- 12) Invention** – the result of creative thinking of an individual or team, i.e., the development of an idea for new products, services or processes with the potential to transform into innovation;
- 13) Technology transfer** – the process of knowledge and technology transfer that takes place between scientific institutions, scientific institutions and the economic sector, as well as between the businesses on the domestic or international market, all with a view to facilitate further development of products, services, processes and technologies, protection of intellectual property and provision of support for their commercialisation;
- 14) Innovation activity programme** – part of the innovation policy defining the measures for improving commercialisation of innovation, creating special conditions for development of advanced technologies, development of innovation infrastructure, capacity-building for innovation activities, international cooperation in innovations and other activities implemented in cooperation of national innovation system entities;
- 15) Entity performing innovation activity** – a legal entity established in accordance with a separate law and based in Montenegro, as well as an individual who creates innovations, places new knowledge and technologies on the market, applies

scientific results and modern technological processes in an original and systematic manner in order to create or apply innovations;

- 16) Innovation infrastructure** – facilities, technical and technological equipment, software and knowledge network in support of the implementation of innovation activities, provided by relevant entities with the aim of spreading knowledge and awareness of innovation, supporting the formation and strengthening of innovative businesses, utilising R&D results, improving innovative capacity of the economy and universities, providing for internationalisation of business and scientific activities, and facilitating cooperation between the economic, scientific, academic and public sectors and strengthening the scientific base of society;
- 17) Start-up** – a newly established business entity that has existed for five years or less and creates, develops and puts into use innovations with high international market growth potential;
- 18) Spin-off** – a newly formed business entity resulting from scientific research or technology transfer, created through separation from an existing legal entity, with the aim of commercial utilisation of research or innovation results;
- 19) Inventor** – an individual who performs innovation activities independently and is engaged in research and creation of a conceptual design, a new or significantly improved product, service or technology, prototype, new methods or other forms of intellectual property that may be protected at the national or international level;
- 20) Innovator** – an individual who performs innovation activities independently and uses the results of his research and creation of a conceptual design, a new or significantly improved product, service or technology, prototype, new methods or other forms of intellectual property that may be protected at the national or international level, for commercialisation purposes;
- 21) Freelancer** – a domestic or foreign individual residing in Montenegro who independently performs innovative activities by providing intellectual services for needs of domestic and foreign legal entities and individuals;
- 22) Investor in innovation activities** – legal entity or individual who invests in other entities that implement innovation activities, with investment being made in shares or stocks of start-ups, spin-offs and venture capital funds for investment in entities that implement innovation activities, or donates funds to scientific research institutions, innovation infrastructure entities or start-ups and spin-offs. An individual can also be a “business angel”, who, in addition to financial resources, also invests his own knowledge, experience and network of contacts in order to improve innovation activities;
- 23) Cluster** – a network of interconnected legal entities and/or individuals from related industries with a wide spectrum of inter-industry relations that represents a group of interconnected business entities, research institutions, which are spatially close to each other and jointly develop specialised expertise, skills, services, resources and a network of suppliers and customers; and

24) Venture capital – includes formal and informal risk capital that is invested by owners in companies with high growth potential with the aim of launch, early development or expansion of business operations, subject to the inherent risks and with the intention of achieving high profit return on the invested capital.

II. IMPLEMENTATION OF INNOVATION ACTIVITIES

Innovative programmes and projects

Article 11

Innovation activities that are financed from the funds of a state administration body, local self-government units or a fund supporting innovation activities shall be implemented through innovative programmes and projects, in line with the priorities established by the strategies and programmes that regulate the field of innovation.

In addition, innovation activities shall be implemented through special programmes and projects of legal entities and individuals in Montenegro.

Detailed conditions and approval procedure and the manner of use of the funds for innovation activities referred to in paragraph 1 of this Article shall be prescribed by the state administration body implementing the support programme, or the local self-government units implementing the support programme, or a fund supporting innovation activities, in line with the regulations governing state aid.

Public call for applications

Article 12

The state administration body, or the local self-government unit, or a fund supporting innovation activities, shall announce a public call for applications for financing innovative programmes and projects referred to in Article 11, paragraph 1 of the present Law, subject to the funds available.

Evaluation of innovative programmes and projects

Article 13

Evaluation of innovative programmes and projects referred to in Article 11, paragraph 1 of the present Law shall be conducted by independent experts appointed by the state administration body, or local self-government unit or the fund implementing support programme, with respect for the principles of independence, impartiality, objectiveness, accuracy and consistency in evaluation.

The criteria for expert appointment, as well as the procedure of evaluation of innovative programmes and projects referred to in paragraph 1 of this Article shall be prescribed by the state administration body, or local self-government unit or the fund implementing support programme.

Contract on implementation of innovative programmes and projects

Article 14

Mutual rights and obligations between the state administration bodies or local self-government units and a fund financing an innovative programme or support project and the beneficiary of the funds for the approved innovative programme or project referred to in Article 11 of the present Law shall be regulated by a contract.

Intellectual property rights

Article 15

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

Database

Article 16

The state administration body responsible for science and innovation (hereinafter: the Ministry) shall organise and maintain a database for the field of innovation activities.

At the request of the Ministry, the innovation activity entities shall be obliged to submit the necessary data for the purpose of maintaining a database.

The Ministry shall process the data submitted exclusively for the purpose of innovation activities, supervision and provision and control of funds, monitoring and analysis of the state-of-play in innovation activities, as well as for statistical purposes.

Council

Article 17

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

Responsibilities of the Council

Article 18

The Council shall analyse the state-of-play and achievements in the innovation activities, make expert suggestions, and shall have the powers to:

- Propose policies and strategies governing the field of innovation and technological development in Montenegro to the Government;
- Give opinions on proposals for laws and other regulations in the field of innovation activities and other fields providing for general conditions for stimulation of innovation activities and use of its results;
- Monitor the implementation of strategies governing the field of innovation and technological development in Montenegro;
- Adopt programmes of general interest in the field of innovation and smart specialisation;
- Cooperate with other councils and national innovation system entities; and

- Perform other tasks prescribed by the present Law and the act of incorporation of the Council.

Composition of the Council

Article 19

The Council shall be appointed by the Government, for a term of four years.

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

The act of incorporation of the Council shall define the number, composition, manner of appointment and dismissal of members of the Council and other issues of relevance for its activities.

Council activities

Article 20

The Council activities shall be public.

The Council shall make its conclusions, recommendations and opinions available to the public.

The funding for Council activities shall be provided from the funds of the budget of Montenegro.

III. INNOVATION ACTIVITY ENTITIES

Legal entities performing innovation activities

Article 21

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

The entities referred to in paragraph 1 of this Article may organise separate organisational units for implementation of innovative programmes or projects.

Other legal entities performing innovation activities

Article 22

Businesses, start-ups, spin-offs and other legal entities or parts thereof may be the innovation activity entities if they develop, place on the market or bring into use the innovations created as a result of own innovative activities or innovative activities of other entities.

Individuals performing innovation activities

Article 23

Inventors, innovators, freelancers and other individuals may be innovation activity entities if they perform innovative activities that result in innovations.

Types of innovation infrastructure entities

Article 24

Innovation infrastructure entities provide support to implementation of innovation activities.

Innovation infrastructure entities may be:

- Science and technology parks;
- Innovation and entrepreneurship centres;
- Technology business incubators;
- Technology transfer centres;
- Cluster organisations; and
- Other innovation infrastructure entities.

Innovation infrastructure entities referred to in paragraph 2 of this Article may be established as a company or some other form of incorporation.

The entities referred to in paragraph 2, indent 3, 4 and 6 of this Article may also be established as a part of legal entity.

The entities referred to in paragraph 2, indent 1 and 2 of this Article that are majority-owned by the state shall exercise public powers for tasks from their field of work.

Science and technology park

Article 25

A science and technology park is an innovation infrastructure entity that provides for the use of specialised business premises and equipment and professional and advisory services to innovative legal entities and individuals.

A science and technology park shall provide services and implement activities aimed at networking the academic community and the economy, stimulating and managing the transfer of knowledge and high technologies, promoting the internationalisation of business operations and the commercialisation of scientific research, creating new and developing existing innovative businesses, creating and implementing innovations based on state-of-the-art scientific results, while promoting the innovation culture and competitiveness of knowledge-based businesses and institutions with a view to economic development and development of the state as a whole.

Innovation infrastructure entities referred to in Article 24, paragraph 2, indents 2 to 6 of the present Law may obtain the status of a science and technology park member.

A beneficiary of the services provided by an entity referred to in paragraph 1 of this Article may obtain the status of a science and technology park member.

The rights and obligations between a science and technology park and its members shall be regulated by a contract.

Innovation and entrepreneurship centre

Article 26

An innovation and entrepreneurship centre is an innovation infrastructure entity, which provides for the use of specialised premises and equipment, professional and advisory services, as well as information and technical trainings to innovative legal entities and individuals and entrepreneurs.

The activities of an innovation and entrepreneurship centre shall be aimed at networking with potential partners for the purpose of participation in national and international programmes, projects and funds in various fields of science, with the aim of creating new and developing existing companies based on innovation and knowledge transfer, for the needs of local or regional economic development.

The rights and obligations between an innovation and entrepreneurship centre and the beneficiaries of its services shall be regulated by a contract.

Technology business incubator

Article 27

A technology business incubator is an innovation infrastructure entity whose primary activity is making business premises, administrative, technical, professional and advisory services available to entrepreneurs, innovation activity entities and other newly established companies engaged in innovations, development or application of existing and new technological solutions with the aim of providing support to economic development at the local level.

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

Technology transfer centre

Article 28

A technology transfer centre is an innovation infrastructure entity, typically operating within a university or science and technology park, whose main activity is to perform the transfer of new technologies to businesses, as well as to provide support in innovation application and to encourage the implementation and commercialisation of technology transfer, advisory services and to provide 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 enhancement of collaboration, networking and learning in innovation clusters and acts as innovation support provider by providing or channelling specialised services aimed at encouraging innovative

activities, especially in micro, small and medium-sized enterprises, and if it works on development of strategic partnership between clusters at the national and international market.

Other innovation infrastructure entities

Article 30

Other entities may also provide infrastructural support if they provide support to legal entities and individuals performing innovation activities within their own field of work.

Entities investing in innovation activities and other innovation activity entities

Article 31

Entities investing in innovation activities and other innovation activity entities are legal entities and individuals investing in innovation activities, encouraging or promoting innovation activities, or otherwise supporting innovation activity entities.

IV. REGISTER OF INNOVATION ACTIVITIES

Register

Article 32

A Register of Innovation Activities (hereinafter: the Register) shall include the innovation activity entities.

Detailed conditions for registration of innovation activity entities, registration procedure, verification of fulfilment of conditions and deletion from the Register shall be prescribed by the Ministry.

Register keeping

Article 33

The Ministry shall keep an electronic Register.

The Register shall be available to the public through the website of the Ministry.

The content of the Register, manner of registration and deletion from the Register shall be prescribed by the Ministry.

V. SUPERVISION AND FINANCING

Supervision

Article 34

Supervision over the implementation of the present Law shall be performed by the Ministry.

Financing innovation activity entities

Article 35

The innovation activity entities referred to Art. 21 to 24 of the present Law may be financed from:

- Own revenues;
- Commercialisation of innovations, i.e., transfer, sale or licencing of results of own innovative activities;
- Venture capital funds;
- Funds invested in innovation activities by investors;
- National and international programmes, projects and funds;
- Budget of Montenegro;
- Budget of local self-government units;
- Fund supporting innovation activities;
- Donations, sponsorships and legacies; and
- Other sources.

Financing priority

Article 36

The Government may determine a priority in financing innovative programmes and projects implemented on the basis of international cooperation programmes, as well as programmes of general interest.

VI. INNOVATION FUND OF MONTENEGRO

Establishment

Article 37

The Government shall establish the Innovation Fund of Montenegro (hereinafter: the Fund) with a view to efficient implementation of innovation policy, and securing and executing the funds to encourage innovation activities.

The Fund shall be established as a limited liability company.

Activities of the Fund

Article 38

The activities of the Fund shall be to:

- Implement innovation policy by providing and channelling the funds from national, international and other sources towards the development of innovative entrepreneurship and boost in cooperation between the scientific and the business sector;
- Implement projects and programmes in the Smart Specialisation Strategy domains, in accordance with the decisions of the Council;
- Define support instruments and ways of using the Fund's resources;
- Promote and attract investments in innovative economy;

- Exercise cooperation with international institutions and organisations, state administration bodies, or local self-government units, financial institutions and entities in the field of science, innovation, education and economy, for needs of financing innovation activity and implementing innovation policy;
- Encourage technology transfer and research, development and innovations in private and public sector;
- Encourage business cooperation between Montenegrin companies and companies from abroad through activities of research, development and innovation, technology transfer and commercialisation of research results;
- Encourage public-private investments that facilitate the establishment of venture capital funds for the purpose of innovative entrepreneurship development;
- Participate in international projects and programmes intended for research, development and innovation;
- Provide technical and advisory assistance to state administration bodies within the programmes of national, international and interregional cooperation, aimed at development of innovative entrepreneurship and technology transfer;
- Supervise and monitor the implementation of programmes and projects within the field of work of the Fund;
- Perform other tasks in accordance with the present Law, the act of incorporation and the articles of association of the Fund.

The Fund shall perform the activities referred to in paragraph 1 of this Article in the manner defined by the articles of association and general acts of the Fund.

Providing the means for activities of the Fund

Article 39

The Fund shall receive the means for its activities 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 profits of companies in which the Fund has shares or stocks;
- Revenues of companies from projects financed by the Fund; and
- Other sources, in accordance with the law.

The funds referred to in paragraph 1 indent 1 of this Article shall be provided on the basis of the Fund's annual work programme.

VII. TRANSITIONAL AND FINAL PROVISIONS

Deadline for formation of the Council

Article 40

The Council referred to in Article 19 of the present Law shall be formed within 60 days following the entry into force of the present Law.

Until the formation of the Council referred to in paragraph 1 of this Article, the function of the Council shall be performed by the existing Council for Innovation and Smart Specialisation.

On the day of constitution of the Council pursuant to the present Law, the term of office of the members of the Council appointed in accordance with the Decision on Formation of the Council for Innovation and Smart Specialisation (Official Gazette of Montenegro 56/19) shall terminate.

Deadline for adoption of by-laws

Article 41

The regulations for implementation of the present Law shall be adopted within a year following the entry into force of the present Law.

Until the adoption of the regulations referred to in paragraph 1 of this Article, the by-laws adopted on the basis of the Law on Innovative Activities (Official Gazette of Montenegro 42/16) shall apply, provided that they are not contrary to the present Law.

Deadline for adoption of act of incorporation of the Fund

Article 42

The act of incorporation of the Fund shall be adopted within 30 days following the entry into force of the present Law.

Registration

Article 43

The legal entities included in the Register of Innovative Organisations on the day of entry into force of the present Law shall submit to the Ministry a request for inclusion in the Register of Innovation Activities within one year from the day of entry into force of the present Law.

Termination

Article 44

On the day of entry into force of the present Law, the Law on Innovative Activities (Official Gazette of Montenegro 42/16) shall cease to apply.

Entry into force

Article 45

The present Law shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro.