

INTELLECTUAL PROPERTY FOR BUSINESS



WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)
SMALL AND MEDIUM-SIZED ENTERPRISES DIVISION

<http://www.wipo.int/sme>

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WHY IS INTELLECTUAL PROPERTY RELEVANT TO YOUR SME?

Along with human creativity and inventiveness, intellectual property is all around us. Every product or service that we use in our daily lives is the result of a long chain of big or small innovations, such as changes in designs, or improvements that make a product look or function the way it does today. Take a simple product. For example, a pen. Ladislao Biro's famous patent on ballpoint pens was in many ways a breakthrough. But, like him, many others have improved the product and its designs and legally protected their improvements through the acquisition of IP rights. The trademark on your pen is also intellectual property, and it helps the producer to market the product and develop a loyal clientele.

And this would be the case with almost any product or service in the marketplace. Take a CD player. Patent protection is likely to have been obtained for various technical parts of a CD player. Its design may be protected by industrial design rights. The brand name is most probably protected by a trademark and the music played in the CD player is (or has been) protected by copyright.

So, How Does This Affect Your Business?

Regardless of what product you enterprising makes or what service it provides, it is likely that it is regularly using and creating a great deal of intellectual property. This being the case, you should systematically consider the steps required for protecting, managing and enforcing it, so as to get the best possible commercial results from its ownership. If you are using intellectual property that belongs to others, then you should consider buying or acquiring the rights to use it by taking a license in order to avoid a dispute and consequently expensive litigation.

Almost every SME has a trade name or one or more trademarks and should consider protecting them. Most SMEs will have valuable confidential business information, from customers' lists to sales tactics that they may wish to protect. A large number would have developed creative original designs. Many would have produced, or assisted in the publication, dissemination or retailing of a copyrighted work. Some may have invented or improved a product or service.

In all such cases, your SME should consider how best to use the IP system to its own benefit. Remember that IP may assist your SME in almost every aspect of your business development and competitive strategy: from product development to product design, from service delivery to marketing, and from raising financial resources to exporting or expanding your business abroad through licensing or franchising.

To find out how all this and many other things may happen, follow through the pages of this website and discover the world of intellectual property and the opportunities it offers to your SME.

HOW CAN INTELLECTUAL PROPERTY ENHANCE THE MARKET VALUE OF YOUR SME?

The value of intellectual property (IP) is often not adequately appreciated and its potential for providing opportunities for future profits is widely underestimated by SMEs. However, when IP is legally protected and there is demand for the IP-protected products and/or services in the marketplace, IP can become a valuable business asset.

- IP may generate an income for your SME through the licensing, sale, or commercialization of the IP-protected products or services that may significantly improve an enterprise's market share or raise its profit margins.
- IP rights can enhance the value or worth of your SME in the eyes of investors and financing institutions.
- In the event of a sale, merger or acquisition, IP assets may significantly raise the value of your enterprise, and at times may be the primary or only true asset of value.

The strategic utilization of IP assets can, therefore, substantially enhance the competitiveness of your SME. SMEs should make sure that they are ready to face the challenge and take measures to exploit their IP and protect it wherever possible. Like physical assets, IP assets must be acquired and maintained, (see "How can Your SME Acquire and Maintain Intellectual Property Protection"), accounted for, valued, monitored closely, and managed carefully in order to extract their full value (see "Managing the Intellectual Property Assets of Your SME"). But before this can be done, SMEs must first acknowledge the value of IP and begin to see it as a valuable business asset.

INTELLECTUAL PROPERTY AS A BUSINESS ASSET

An enterprise's assets may be broadly divided into two categories: physical assets - including buildings, machinery, financial assets and infrastructure - and intangible assets - ranging from human capital and know-how to ideas, brands, designs and other intangible fruits of a company's creative and innovative capacity. Traditionally, physical assets have been responsible for the bulk of the value of a company, and were considered to be largely responsible for determining the competitiveness of an enterprise in the marketplace. In recent years, the situation has changed significantly. Increasingly, and largely as a result of the information technologies revolution and the growth of the service economy, companies are realizing that intangible assets are often becoming more valuable than their physical assets.

In short, large warehouses and factories are increasingly being replaced by powerful software and innovative ideas as the main source of income for a large and growing proportion of enterprises worldwide. And even in sectors where traditional production techniques remain dominant, continuous innovation and endless creativity are becoming the key to greater competitiveness in fiercely competitive markets, be it domestic or international. Intangible assets are therefore taking center stage and SMEs should seek how to make best use of their intangible assets.

One crucial way of doing so is by legally protecting intangible assets and, where they meet the criteria for intellectual property protection, acquiring and maintaining IP rights. IP rights may be acquired in particular for the following categories of intangible assets:

- Innovative products and processes (through patents and utility models);

- Cultural, artistic and literary works including, in most countries, also for computer software and compilation of data (through copyright and related right protection);
- Creative designs, including textile designs (through industrial design rights);
- Distinctive signs (mostly through protection of trademarks including collective and certification marks, but in some cases through geographical indications; see below);
- Microchips (through protection of layout -designs or topographies of integrated circuits);
- Denominations for goods of a given quality or reputation attributable to the geographical origin (through protection of geographical indication; and
- Trade secrets (through protection of undisclosed information of commercial value).

INTELLECTUAL PROPERTY PROTECTION AS AN INVESTMENT

Making the right investments is crucial for enhancing the market value of your SME. Investing in equipment, property, product development, marketing and research can strongly enhance your company's financial situation by expanding its asset base and increasing future productivity. Acquiring intellectual property may have a similar effect. Markets will value your company on the basis of its assets, its current business operations and expectation of future profits. Expectations for future profit may be considerably affected by the acquisition of key patents. There are numerous examples of SMEs that have seen their market value increase overnight as a result of their acquisition of important patents in key technologies.

Similarly, a good trademark with a good reputation among consumers may also enhance your company's current value and may decisively contribute to making your company's products and services more attractive to consumers. Investment in developing a good IP portfolio is, therefore, much more than a defensive act against potential competitors. It is a way of increasing your company's market value and improving future profitability.

THE VALUE OF INTELLECTUAL PROPERTY ASSETS

A crucial point about legal protection of intellectual property is that it turns intangible assets into exclusive property rights, albeit for a limited period of time. It enables your SME to claim ownership over its intangible assets and exploit them to their maximum potential. In short, IP protection makes intangible assets "a bit more tangible" by turning them into valuable exclusive assets that can often be traded in the marketplace.

If the innovative ideas, creative designs and powerful brands of your SME are not legally protected by IP rights, then these may be freely and legally used by any other enterprise without limitation. However, when they are protected by IP rights, they acquire concrete value for your enterprise as they become property rights which cannot be commercialized or used without your authorization.

Increasingly, investors, stock market brokers and financial advisors are becoming aware of this reality and have begun to value IP assets highly. Enterprises worldwide are also more and more acknowledging the value of their IP assets, and, on occasions, have included them in their balance sheets. Many enterprises, including SMEs, have begun to undertake regular technology and IP audits. In a number of cases, enterprises have realized that their IP assets are in fact worth more than their physical assets. This is often the case for companies

operating in knowledge-intensive and highly innovative sectors, or companies with a well-known brand name.

AUDITING YOUR INTELLECTUAL PROPERTY

One way your SME may acquire a better position to capitalize on the potential benefits of its IP assets and extract their full value is by conducting an IP audit. Ideally, this should be done by professional IP auditors, but often a preliminary IP audit may be done within your company. This entails identifying, monitoring, valuing your SME's IP assets so as to make sure that you are making the most out of them. By doing so, your SME would be able to make informed decisions when it comes to:

- **Acquiring IP Assets** - Knowledge of your company's intellectual property and of its value will assist you in deciding which type of IP rights to acquire and maintain, and how best to manage the IP assets of your SME (see "How Can Your SME Acquire and Maintain Intellectual Property Protection?" and "Managing the Intellectual Property Assets of Your SME")
- **Mergers and acquisitions** - Good knowledge of what IP assets your SME owns can lead to a significant increase in the value of your SME. This is because investors would value a company on the basis of their expectations of future profits, which may, to a considerable extent, be based on the exploitation of IP rights.
- **Licensing** - Your SME can increase its cash flow (revenue) by licensing out its IP rights to a third party (see "Licensing of Intellectual Property: A Vital Component of the Business Strategy of Your SME"). An IP audit will assist your SME in determining the value of your own IP in order to obtain maximum benefit from licensing agreements. The revenue resulting therefrom has the potential of increasing the market value of your SME.
- **Collateral** - A well-structured IP portfolio can also be used as collateral. In such cases lenders will use your IP assets to determine the creditworthiness of your SME (see "Can Your SME Use Intellectual Property Assets for Financing?").
- **Enforcement** - Knowing the value of your IP assets will assist your SME in taking decisions on whether it is worthwhile taking action against infringement and in what way this may be done on a case-by-case basis.
- **Cost reduction** - A well-managed IP register would help you identify obsolete IP assets (thus enabling you to cut down IP asset maintenance costs), avoid infringing other people's IP rights, etc. This would undoubtedly lead to a reduction in costs.

By establishing a culture of identifying and cultivating IP assets and strategically using them, an enterprise can increase its revenue, have an edge over its competitors and position itself well in the market; these are strategies that may lead to an increased market value of your SME.

FURTHER LINKS AND READINGS

- [IPScore](#) :IPvaluationtoolbytheDanishPatentandTrademarkOffice
- [TheIntellectualPropertyAudit](#) :byMerchant&Gould
- [ValuationofIntellectualPropertyAssets:The FoundationforRiskManagementand Financing](#)
byPriceWaterHouseCoopers

HOW DO YOU TURN INVENTIONS INTO PROFIT-MAKING ASSETS OF YOUR SME?

Innovative and creative ideas are at the heart of most successful businesses. Ideas by themselves, however, have little value. They need to be developed, turned into innovative products or services and commercialized successfully so as to enable your SME to reap the benefits of your innovation and creativity. Intellectual Property (IP), patents in particular, can be crucial for turning innovative ideas and inventions into competitive products that significantly increase profit margins.

Your SME may also use patent to earn royalty revenue by licensing such patented inventions to other firms that have the capacity to commercialize them. This may not only save your SME money, but also provide you with a stream of income from your invention or the inventions of employees of your SME, without the need to invest in its commercialization.

For practical information on the costs of patenting, the time taken for patents to be granted and other useful FAQs, see [link](#) or contact your national IPO office.

REASONS FOR PATENTING YOUR INVENTIONS

- **Exclusiverights** - Patents provide the exclusive rights which usually allow your SME to use and exploit the invention for twenty years from the date of filing of the patent application.
- **Strongmarketposition** - Through these exclusive rights, you are able to prevent others from commercially using your patented invention, thereby reducing competition and establishing yourself in the market as the pre-eminent player.
- **Higherreturnsoninvestments** - Having invested a considerable amount of money and time in developing innovative products, your SME could, under the umbrella of these exclusive rights, commercialize the invention enabling your SME to obtain higher return on investments.
- **Opportunitytolicenseorselltheinvention** - If you choose not to exploit the patent yourself, you may sell or license the right to commercialize it to another enterprise which will be a source of income for your SME.
- **Increaseinnegotiatingpower** - If your SME is in the process of acquiring the rights to use the patents of another enterprise, through a licensing contract, your patent portfolio will enhance your bargaining power. That is to say, your patents may prove to be of considerable interest to the enterprise with whom you are negotiating and you could enter into a cross licensing arrangement where, simply put, the patent rights could be exchanged between your enterprise and the other.
- **Positiveimageforyoureenterprise** - Business partners, investors and shareholders may perceive patent portfolios as a demonstration of the high level of expertise,

specialization and technological capacity within your company. This may prove useful for raising funds, finding business partners and raising your company's market value.

The documents "Formulating an Intellectual Property Development Strategy for Enterprises" (available in Adobe PDF and MS Word formats) and "The Role of IPRs in the Promotion of Competitiveness and Development of Enterprises" (available in Adobe PDF and MS Word formats) provides some insights on how to develop a patent strategy for your SME.

In many cases, where an enterprise has merely improved an existing product and the said improvement is not sufficiently inventive to be deemed patentable, utility models (or "petty patents" or "utility innovations") may represent a good alternative, if available in the country in question. On occasions, it may be advisable for your SME to keep its innovations as trade secrets which requires, in particular, that sufficient measures are taken to keep the information confidential.

It is highly advisable for SMEs engaging in inventive activities to consult patent databases to find out about existing technologies, identify licensing partners in case a technology already exists and avoid duplication of research activities. A more comprehensive analysis of the importance of patent search is available.

WHAT HAPPENS IF YOU DO NOT PATENT YOUR INVENTIONS?

- **Somebody else might patent them** - In most countries (with the exception of the United States), the first person or enterprise to apply for a patent for an invention will have the right to the patent. This may in fact mean that, if you do not patent your inventions or inventions of the employees of your SME, somebody else - whom may have developed the same or an equivalent invention later - may do so and legitimately exclude your enterprise from the market, limit its activities to the continuation of prior use, where the patent legislation provides for such exception, or ask your SME to pay a licensing fee for using the invention.
- **Competitors will take advantage of your invention** - If the product is successful, many other competitor firms will be tempted to make the same product by using your invention but without having to pay for such use. Larger enterprises may take advantage of scale economies to produce the product more cheaply and compete at a more favorable market price. This may considerably reduce your company's market share for that product. Even small competing enterprises can produce the same product and often sell it at a lower price as they do not have to recoup research and development costs incurred by your SME.
- **Possibilities to license, sell or transfer technology will be severely hindered** - Without IP rights, transfers of technology would be difficult if not impossible. Transfer of technology presupposes ownership of a technology which can only be effectively obtained through appropriate IP protection. Moreover, where negotiations do take place for transferring a given technological development without IP protection over the technology in question, parties are suspicious of disclosing their inventions, fearing

that the others side may “run away with the invention.” IP protection, in particular patent protection, is crucial for acquiring technology through its licensing.

FURTHER LINKS AND READINGS

For more information on how patents can help SMEs to exploit their innovative potential, please see the following documents:

- “Formulating an Intellectual Property Development Strategy for Enterprises” (see **WIPO/IP/HAN/98/7(b)** in Adobe PDF format).
- “Fostering the Globalization Potential of SMEs in the Globalization Era” (see **WIPO/IP/MIL/01/1(B)** in Adobe PDF format).
- “The Role of the IPR in the Promotion of Competitiveness and Development of Enterprises” (see **WIPO/IP/HAN/98/5(b)** in Adobe PDF format).
- For a basic overview of patents and patentable inventions see document: “The Protection of Inventions: Patents and Other Titles of Protection” (see **WIPO/IP/ADD/97/2** in Adobe PDF format).
- “Seeking Cost - Effective Patents” (<http://www.fplc.edu/tfield/sEeking.htm>).

WHY IS INTELLECTUAL PROPERTY CRUCIAL FOR MARKETING THE PRODUCTS OR SERVICES OF YOUR SME?

For most small and medium-sized enterprises (SMEs), marketing products or services is a major challenge. A marketing strategy should establish a clear link between your products or services and your SME, as the producer or provider of such products or services. That is to say, customers should be able to distinguish, at a glance, between your products or services and those of your competitors and associate them with certain desired qualities.

Intellectual property, when efficiently used, is an important tool in creating an image for your business in the minds of your current and potential customers and in positioning your business in the market. IP rights, combined with other marketing tools (such as advertisements and other sales promotion activities) are crucial for:

- Differentiating your products and services and making them easily recognizable
- Promoting your products or services and creating a loyal clientele
- Diversifying your market strategy to various target groups
- Marketing your products or services in foreign countries (see "How can Intellectual Property Enhance the Export Opportunities of Your SME?")

INTELLECTUAL PROPERTY RIGHTS AND MARKETING

Different IP rights may contribute to your marketing strategy in different ways:

Trade and Service Marks

A well-crafted mark is often a decisive tool for the success of your SME in the marketplace. It will enable consumers to distinguish products or services of your SME from those of your competitors and to associate your products or services with desired qualities. Furthermore, it may play an important part in the ability of your product or service to open a new market, especially if care was taken while selecting or creating the marks so that they appeal to the target market. It is crucial that you search for conflicting marks prior to filing an application or using a new mark on your products or services. For this purpose, you may wish to use the services of a competent attorney or agent. This would save your SME from incurring unnecessary expenses if there is already an identical or conflicting mark in the target market (see "Conducting Trademark Searches").

Collective Marks

The use of a collective mark (by a cooperative or an association of enterprises) allows the member SMEs to benefit from a reputation acquired on the basis of the common origin or other common characteristics of the goods produced or services rendered by different enterprises. This is, particularly, the case where the origin or other common characteristics are the main contributing factor in determining the quality or good taste of a product or service. The use of a collective mark may foster an alliance or facilitate cooperation with other SMEs so as to take full advantage of common resources.

Industrial Designs

In today's highly competitive global economy, a visually attractive design alone may enable you to captivate a demanding and extremely diversified clientele. Through creative designs, your SME could reach out to and appeal to diverse groups of customers from different age

groups, regions, cultures, etc. Having design rights on an attractive shape or style of a product may give you the much-needed edge over the competition.

Geographical Indications

Inherent in certain products from a particular region are characteristics that are due to the soil, climate or particular expertise of the people of that area which consumers of those products expect and have confidence in. Capitalizing on that reputation for your products that emanate from such an area or benefit from such skills in your marketing strategy makes sound business sense in differentiating your products from those of others. It is important to note that in the case of such products, your SME must maintain the standards and quality expected of goods produced in that region or with such expertise. See link for more information on geographical indications.

Patents

The market for your newly introduced product can effectively be protected by obtaining patent protection. Being a patent holder can also open other business avenues such as licensing or strategic alliances (see "How do you Turn Inventions Into Profit-making Assets of Your SME").

Utility Models

Effective utilization of utility models, where such protection is available, can help your SME stay abreast of its competitors. If strategically used, the protection of utility models can be an effective tool in positioning your SME in the marketplace especially if your SME is active in a business where technological advantage plays an important role in determining who holds a larger share of the market. By paying close attention to your competitors' products and their promise of benefits, you can always improve products of your SME in order to provide the same or even greater benefits and protect your innovation as utility models, especially if the criteria of patentability are not fully met.

MARKETING YOUR PRODUCTS AND SERVICES IN THE NEW ECONOMY

Impact of Electronic Commerce on Intellectual Property and Your SME

While the Internet can open a lot of opportunities for SMEs, it may also pose a number of challenges for the effective protection and enforcement of intellectual property rights, in general, and for copyright and related rights, trademarks and patents, in particular. The protection of copyright and related rights in the digital environment, the protectability of commerce business methods by patents, the use of trademarks as "metatags" and keywords, the infringement of trademark rights through the use of a sign on the Internet, the scope of protection of well-known marks and unfair competition in electronic commerce are some of the controversial issues and challenges which your SME may have to face. For further information, see Intellectual Property in E-Commerce.

Domain Names

If you intend to do business via the Internet then you need an Internet address, technically known as a domain name. In spite of their different function, domain names often conflict with marks which are used to identify and distinguish your products or services from those of your competitors. Your SME should, therefore, avoid using a domain name that is already protected by another enterprise as a mark. When your SME is faced with the use of its mark as a domain name by a competitor, you may wish to seek advice on how a dispute can be settled efficiently and at a reasonable cost. While conflicts between marks and domain names can be resolved in courts, many SMEs may prefer to take advantage of faster and

cheaperspecialproceduresunderalternativedisputesettlementmechanisms.WIPO's DomainNameDisputeResolutionServicesisaleadinginstitutioninthisarea.

FurtherLinksandReadings

- <http://europa.eu.int/ISPO/ecommerce/>
- <http://kite.tsa.de>

GETTING THE BEST OUT OF INTELLECTUAL PROPERTY PROTECTION

To make sure that your marketing program gets the best out of your IP rights, the following points are worth considering:

- Register or seek protection of your IP assets at the earliest in order to take full advantage of your IP rights while undertaking advertising and other promotional activities.
- Check carefully to make sure that your SME does not infringe the IP rights of others. In this respect, it is advisable to conduct trademark and patent searches before commercializing products and services which may conflict with the IP rights protected by other persons or enterprises.
- Use, or make reference to, your IP rights in your advertisements and other promotional activities in order to make your customers and potential customers aware of the IP protection of your products and services.
- Monitor the market and be ready to contact an IP lawyer or an official enforcement authority where you detect infringement of your IP rights that may be damaging your SME's profits or reputation (see "What Should Your SME do to Resolve Disputes Related to Intellectual Property?"). IP rights in fact allow you to fight unauthorized copying, imitation and other kinds of infringement. National legislation or case law may also provide protection against unfair competition, such as false allegations aimed at discrediting your products or services, allegations aimed at misleading the public as to the characteristics of your products and services and acts which aim at creating confusion with your products and services.

CAN YOUR SME USE INTELLECTUAL PROPERTY ASSETS FOR FINANCING?

In recent years, there is growing awareness that intellectual property (IP) assets can be monetized. There are various ways to do so. IP can be sold, licensed, used as collateral or security for debt finance, or it can provide an additional or alternative basis for seeking equity from friends, family, private investors (these so-called "business angels" who invest in unquoted small and medium-sized enterprises (SMEs) and often also provide experience and business skills), venture capitalists, specialized banks and sometimes even from regular banks.

In addition, in most countries, the Government provides encouragement and support to high-tech start-ups and other innovative SMEs through grants, guarantees, subsidies and/or soft loan schemes, which are provided via various public funding institutions and banks that directly or indirectly recognize the importance of intellectual property assets.

As an owner/manager of an SME, therefore, it is important for you to look after the intellectual property of your SME not only as a legal asset but also as a financial instrument.

USING INTELLECTUAL PROPERTY ASSETS TO FINANCE YOUR BUSINESS

Intellectual property (IP) assets may help you to strengthen your case for obtaining business finance from investors/lenders. The investor/lender, be it a bank, a financial institution, a venture capitalist, or a business angel, in undertaking an appraisal of the request for equity assistance or loan, will assess whether the new or innovative product or service offered by the SME is protected by a patent, a utility model, a trademark, an industrial design, or copyright or related rights. Such protection is often a good indicator of the potential of your SME for doing well in the marketplace.

IP ownership is thus important to convince investors/lenders of the market opportunities open to the enterprise for the commercialization of the product or service in question. On occasions, a single powerful patent may open doors to a number of financing opportunities.

Ownership of IP rights over the creative output or innovations related to the product or services that an enterprise intends to market, guarantees a certain degree of exclusivity and, thereby, a higher market share if the product/service proves successful among consumers.

Different investors/lenders may value your IP assets in different ways and may attach different degrees of importance to IP rights. A clear trend, however, is developing towards an increasing reliance on IP assets as a source of competitive advantage for firms. Thus investors/lenders are increasingly focusing on firms with a well-managed IP portfolio, even though they encounter, even in the developed countries, many new problems and issues while trying to perfect security interests in intellectual property.

As the owner/manager of an SME, you must therefore take steps to understand the commercial value of the IP assets of your SME, ensure their proper valuation by professionals if need be, and understand the requirement(s), if any, for their proper accounting in the accounts books and balance sheet. Above all, make sure to include the IP assets of your SME in your business plan when presenting it to potential investors/lenders.

THE SECURITIZATION OF INTELLECTUAL PROPERTY ASSETS - A NEW TREND

Lending partly or wholly against intellectual property (IP) assets is a recent phenomenon even in developed countries. Collateralizing commercial loans and bank financing by granting a security interest in IP is a growing practice, especially in the music business, Internet-based SMEs and in high technology sectors.

Securitization normally refers to the pooling of different financial assets and the issuance of new securities backed by those assets. In principle, these assets can be any claim that

have reasonably predictable cash flows, or even future receivables that are exclusive. Thus securitization is possible for future royalty payments from licensing a patent, trademark or trade secret, or from musical compositions or recording rights of a musician. In fact, one of the most famous securitizations of recent years involved the royalty payments of a rock musician in the USA, namely, Mr. David Bowie.

At present, the markets for intellectual property asset-based securities are small, as the universe of buyers and sellers is limited. But if the recent proliferation of Intellectual Property Exchanges on the Internet is an indication, then it is only a matter of time before all concerned will develop greater interest and capacity to use IP assets for financing business start-ups and expansions. As more cash flows are generated by intellectual property, more opportunities will be created for securitization.

IMPORTANCE OF PROPER VALUATION OF INTELLECTUAL PROPERTY FOR OBTAINING FINANCE

While securitization appears to be gaining ground, conventional lending remains the main source of external finance for most SMEs. The practice of extending loans secured solely by IP assets is not very common; in fact, it is practised more by venture capitalists than by banks. If you seek to use IP assets as collateral to obtain financing, your IP assets stand a greater chance of being accepted as collateral if you are able to prove their liquidity and that they can be valued separately from your business. Furthermore, you have to show that your IP assets are durable, at least for the period during which you have to repay the loan, and marketable in the event of foreclosure or bankruptcy.

In this respect, it is critical to identify all the IP assets of your SME and to obtain an objective valuation of the identified assets from a competent valuation firm. The value of IP management processes which identify, log, track and quantify your IP assets becomes increasingly important in the Internet economy. This is one more reason for you to increase in-house awareness of the extent and value of IP asset holdings, including trade secrets, which might be used to collateralize a loan.

It is true that until now the valuation of intellectual property is considered to be highly subjective by both lenders and borrowers. While well-founded valuation methodologies exist, they are either considered to be too subjective or are not generally understood by most people. However, the increasing use of royalty streams arising from licensing to determine the value of intellectual property is a welcome development in enhancing the acceptability of intellectual property assets as valuable assets providing security for debt financing and equity participation.

As an SME, it is therefore important to keep this aspect in mind while seeking financial assistance in particular, and while developing your business strategy and business plan in general.

FURTHER LINKS AND READINGS

The European Business Angels Network (<http://www.eban.org/>) encourages the exchange of experience among business angels networks and provides indirect impacts with a range of advisory and signposting functions, direct feedback from investors to SME's, and an education and training role for all participants.

The European Venture Capital Association's (<http://www.evca.com/sources.html>) website provides links to a large number of national venture capital associations worldwide.

The European Commission (<http://www.cordis.lu/finance/src/angels.htm>) website provides information and links about sources of finance for innovation activities and their commercialization.

The "Innovation2000 Initiative" (<http://www.eib.org/pub/news/i2i/pmreport.htm>) of the European Investment Bank (EIB) marks a clear shift in its lending activities towards innovation-rich projects and focuses on five key components, one of which is on "SMEs and Entrepreneurship." The support provided by the EIB is mostly through its loan operations, as well as risk capital funding for SMEs (through its specialized subsidiary, the European Investment Fund - EIF - <http://www.eif.org/sme/default.htm>); for "SMEs and Entrepreneurship" the support relates to venture capital operations or guarantee instruments for debt finance, which are managed by the EIF (see paragraph 7 of the first referred Webpage).

The study report of February 2001 on "Financing Innovative Firms Through Venture Capital" while reviewing the situation in Europe compares it with USA, and also looks at Israel; this report is available at <http://www.eib.org/pub/divers/vencap.pdf>

The website of the National Venture Capital Association (<http://www.nvca.org/>) provides an introduction to the venture capital industry in the USA.

Article entitled "Financing and Securing Intellectual Property" at <http://www.bereskinparr.com/art-html/FinancingSecuringIP.html>

Article entitled "IP Assets as Sources of Potential Corporate Profits" at <http://www.bereskinparr.com/art-html/IPCommercialTransactions.html>

Article entitled "Venture Capital in Canada: Focus on Small and Medium Technology Enterprises" at <http://www.idrc.ca/lacro/vencap/lefton.html>

Article entitled "Has David Bowie Started a New Era of Celebrity Securitizations?" at <http://www.icicicareers.com/finance/Has%20David%20Bowie%20Started%20a%20New%20Era%20of%20Celebrity%20Securitizations.htm>

Article entitled "Financing E-Commerce: Legal and Practical Risks" at <http://elj.warwick.ac.uk/jilt/01-1/lipton.html>

HOW CAN INTELLECTUAL PROPERTY ENHANCE THE EXPORT OPPORTUNITIES OF YOUR SME?

Before embarking on an export operation, enterprises go through a series of crucial steps which range from identifying an appropriate export market and estimating demand, to finding channels of distribution, estimating costs and obtaining funds. Here we seek to outline the main reasons why you should also take intellectual property (IP) issues into account while planning your export strategy, and look into ways in which IP rights could enhance the competitiveness of your small or medium-sized enterprise (SME) in export markets.

As IP rights are 'territorial', i.e., are only available to you in the country or region in which they had been applied for and granted, to enjoy exclusive IP rights in foreign markets, you would have to seek and obtain protection abroad (except when it is available automatically without the need to comply with formalities, e.g., through an international treaty mechanism such as the Berne Convention for the Protection of Literary and Artistic Works, see "How can Your SME Benefit From Copyright Protection?"). The main reasons for protecting IP in export markets are outlined below:

- IP rights, especially patents, may open up new export opportunities.
- IP rights, especially trademarks and industrial designs, may help you to develop an advantageous market position in export markets.
- IP rights enhance the opportunity of winning loyal clientele for your products and services in export markets.

EXPORTING YOUR PATENTED PRODUCTS

Patent (or utility model) protection abroad allows you to enjoy an important competitive advantage in your export markets. Companies that have adequately protected their inventions abroad have a range of options for exporting their innovative products that may not be available otherwise. These options include:

- Producing the good domestically and exporting the protected good directly or through intermediaries, knowing that no other company will be able to legally produce, sell or exploit the same product in these selected markets without your authorization (and that most patent laws no longer allow, in accordance with international obligations of the country, to issue non-voluntary licenses on the ground that the protected goods are not produced locally in the country of export destination).
- Licensing the invention to a foreign firm that will manufacture the product locally, in exchange for a lump-sum payment and/or royalty fees (see "Licensing of Intellectual Property; a Vital Component of the Business Strategy of Your SME").
- Setting up joint ventures with other firms for manufacturing and/or commercialization of the product in these selected foreign markets.

Depending on your strategy your enterprise will earn additional revenues either through direct sales of the product or through fees and/or royalties from a licensee.

USING BRANDS AND DESIGN TO MARKET GOODS AND SERVICES ABROAD

The reasons for protecting trademarks and industrial designs in the domestic market fully apply to foreign markets too. Trademark registration, in particular, enables you to maximize product differentiation, advertising and marketing, thus enhancing recognition of your product or service in international markets and establishing a direct link with the foreign consumers. Depending on the nature of your service, a franchising agreement with firms abroad, could be a useful alternative way to earn revenue from your trademark abroad as well.

Companies that export unbranded products will face disadvantages such as:

- Lower revenues as consumers demand lower prices for unbranded goods.
- Lack of customer loyalty largely due to their inability to recognize the product and distinguish it from the products of competitors.
- Difficulties in marketing and advertising products or services abroad in the absence of a suitable symbol or easy identifier that links your products or services with your SME, as marketing an unbranded product is inherently much more difficult.

With regard to industrial designs, protection in export markets will help not only to strengthen your overall marketing strategy but may also be important for customizing products for specific target markets, creating new niche markets for your company's products, and strengthening your company's image and reputation by linking it to a specific design.

INTERNATIONAL EXHAUSTION AND PARALLEL IMPORTATION

While developing your export strategy, you should verify, preferably by consulting a qualified professional, whether a buyer could legally resell in another market IP-protected goods bought from, or with the consent of, your SME without having to seek your consent. This issue will only arise if you have already protected or would be protecting your IP rights in the domestic as well as in export market(s). Similarly, if your SME has bought goods that are protected by a patent, trademark, industrial design and/or copyright, then you should ascertain whether you would need the formal agreement of the IP owner(s) to sell those goods abroad, that is, in another market(s) (i.e. whether the IP rights are considered to be "exhausted"). You may be surprised that the answers to these questions are rather complex and may not only be different from one country to another but may also depend on the kind of IP rights involved.

Before discussing these issues, we must define what is meant by "exhaustion" of IP rights. "Exhaustion" refers to one of the limits of intellectual property rights. Once a product protected by an IP right has been marketed either by your SME or by others with your consent, the IP rights of commercial exploitation over this given product can no longer be exercised by your SME, as they are "exhausted". Sometimes this limitation is also called the "first sale doctrine", as the right of commercial exploitation for a given product ends with the product's first sale. Unless otherwise specified by law, subsequent acts of resale, rental, lending or other forms of commercial use by third parties can no longer be controlled or opposed by your SME. There is a fairly broad consensus that this applies at least within the context of the domestic market.

There is less consensus as to what extent the sale of an IP-protected product abroad can exhaust the IP right over this product in the context of domestic law. The issue becomes relevant in cases of so-called "parallel importation". Parallel importation refers to the import of goods outside the distribution channels contractually negotiated by the manufacturer.

Because the manufacturer/IP owner has no contractual connection with a parallel importer, the imported goods are sometimes referred to as “grey market goods”, which in fact is somewhat misleading, as the goods as such are original, only the distribution channels are not controlled by the manufacturer/IP owner. Based upon the right of importation that an IP right confers upon the IP owner, the latter may try to oppose such importation in order to separate markets. If, however, marketing of the product abroad by the IP owner or with his consent leads to the exhaustion of the domestic IP right, also the right of importation is exhausted and can thus no longer be invoked against such parallel importation.

The above principles have different implications depending on whether the country of importation, for reasons of law or policy, applies the concept of national, regional or international exhaustion. The concept of *nationale exhaustion* does not allow the IP owner to control the commercial exploitation of goods put on the domestic market by the IP owner or with his consent. However, the IP owner (or his authorized licensee) could still oppose the importation of original goods marketed abroad based on the right of importation. In the case of *regionale exhaustion*, the first sale of the IP protected product by the IP owner or with his consent exhausts any IP right over these given products not only domestically, but within the whole region, and parallel imports within the region can no longer be opposed based on the IP right. Where a country applies the concept of *internationale exhaustion*, the IP rights are exhausted once the product has been sold by the IP owner or with his consent in any part of the world.

National IP offices, or IP agents/attorneys, should be able to inform you as to which provisions or case law applies in the relevant country for each type of IP right.

For further information on recent decisions and different approaches in civil law and common law countries and in the international context, see document A/TRIP/GVA/99/6 “Parallel Imports and International Trade” (available in Adobe PDF format) (presented at the Annual Meeting of the International Association for the Advancement of Teaching and Research in Intellectual Property (ATRIP) at the headquarters of WIPO in Geneva (July 7 to 9, 1999)).

FURTHER LINKS AND READINGS

Advice on exporting your products may be found in:

International Trade Centre (<http://www.intracen.org/tradinst/welcome.htm>). This website includes a directory of trade promotion organizations and other trade support institutions.

TradeNet Export Advisers (<http://www.tradenet.gov/>). This website provides advice on various aspects of exporting. While some of the issues are addressed from the point of view of American exporters, in many cases the explanations are generic and useful for SMEs from any country. See in particular the section on “Export answers” (<http://www.tradenet.gov/>).

World Chambers Network (<http://www.worldchambers.com/index.htm>). This website provides country trade and business information as well as a directory of chambers of commerce worldwide.

Organization of American States (<http://www.oas.org/>). This website contains country information for exporters dealing with Latin or North American countries in the SICE database under “Trade and Integration.”

BizAPEC (<http://www.BizAPEC.com/>) is a service for business provided by the APEC secretariat. It contains business and investment information on countries of the Asia-Pacific Economic Cooperation.

SBA’s Guide to exporting is particularly for American companies (<http://www.sbaonline.sba.gov/OIT/info/Guide-To-Exporting>).

HOW CAN YOUR SME ACQUIRE AND MAINTAIN INTELLECTUAL PROPERTY PROTECTION?

Before your SME can take advantage of intellectual property (IP) assets it has to acquire IP rights. A number of IP rights need to be granted or registered. At the national level, IP offices of the respective countries are the only institutions entrusted with granting or registering IP rights. The procedure for their acquisition and maintenance may differ from country to country, but the basic principles and features of these procedures are common to most countries. One should also note that IP rights could also, where certain conditions are met, be acquired at a regional or international level (see "Protecting the Intellectual Property Rights of Your SME Abroad.")

Before seeking IP protection for your SME in a particular country, you are advised to study the country's legal system that governs IP issues. There are various sources of information on IP legislation. Probably the best place to start would be the national IP office or copyright office to obtain the details of IP protection in your country. You may, in addition, consult the WIPO Collection of Laws for Electronic Access (CLEA). It is often advisable to seek guidance from an IP agent or attorney particularly when the relevant IP laws require that an applicant who is not residing in the country be represented by an agent or attorney entitled to practice in that country. The IP office or IP agent/attorney should be able to advise you as to whether special incentives, in terms of reduced fees, are available to SMEs for IP acquisition and maintenance.

Procedures for Different IP Rights

The procedure for obtaining protection and maintenance of intellectual property rights by your SME is outlined below:

PATENTS

A patent is an exclusive right granted for a product or a process that provides a new way of doing something or offers a new technical solution to a problem.

Some Common Features of Procedures for the Grant and Maintenance of Patents

In a number of countries, patents are granted after the main criteria for patentability (novelty, inventive step and industrial applicability) have been considered satisfied. Many countries, however, do not undertake an examination as to substance due to financial and other constraints. Such offices confine themselves to an examination of the formalities that you are required to comply with before filing your patent application. Some of the countries that carry out substantive examination do so automatically upon the receipt of a patent application while others do so only upon the filing of a special request. Such an examination request must be filed within a certain period of time which, according to the applicable patent law, may be a period of up to several years. Depending upon the possibility to defer examination and whether or not opposition proceedings are allowed prior to the grant of the patent, the procedure for the grant of a patent may be very time-consuming. Effort is therefore made, in many countries and at the international level, to accelerate the procedure prior to grant. In addition, a number of countries provide that patent applications be published after a certain period of time (usually, after 18 months from the filing date or, where priority has been claimed, from the priority date (see Frequently Asked Questions)).

The applicant is generally required to pay an application fee and may have to pay an examination fee (where an examination is carried out as to substance) and an annual maintenance fee for the application. In most countries, patent maintenance fees are to be paid annually (annuities). In accordance with international obligations under the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), there is a minimum period of

grace of six months for non-payment of maintenance fees, though countries are free to allow longer grace periods. Failure to pay maintenance fees during the grace period would lead to the lapsing of the patent retroactively, i.e., as of the original due date of annuity.

For practical information on the costs of patenting, the time taken for patents to be granted and other useful FAQs, see link or contact your national IP Office.

UTILITY MODELS

In some countries, inventions may also be protected by utility models, which are also known as "petty patents" or "utility innovations." The conditions for the registration of utility models are usually less stringent (since no inventive step or only a less significant inventive step is required), the procedure for registration is faster (since novelty and inventive step are usually not examined prior to registration) and acquisition and maintenance fees are generally lower than those applicable to patents. Applications are usually to be filed with the national IP Office.

For more on utility models see "Protecting Innovations by Utility Models."

TRADE MARKS/SERVICE MARK

A trade or service mark is a distinctive sign which identifies certain products or services as those produced or provided by a specific person, enterprise or group of persons/enterprises allowing the consumer to distinguish them from goods or services of others.

Some Common Features of Trademark Registration Procedures

In some countries, protection of a mark can be acquired through registration or use. In others, for most trademarks, you have to necessarily register the trademark if you want to protect them. Even where you have the option of protection without registration, that is, based on use of the mark, it is always advisable to register the mark to obtain a better or stronger protection.

If you wish to acquire trademark protection for your SME by registration then you must file an application in a national or, where such possibility exists, a regional trademark office. The Office will then, once the required fees have been paid, examine the application. There are a number of reasons for which your application may be rejected. In practice, applications are most frequently rejected on the grounds that:

(i) there is a likelihood that consumers will confuse your mark with a mark already on the register or applied for or an unregistered well-known mark;

(ii) your mark only describes a product or service or a feature of the product or service;

(iii) your mark consists of a geographical term which is misleading or should not be monopolized by a single enterprise;

(iv) your mark violates public order or morality; or

(v) your mark consists of or contains without authorization an element which is identical with or an imitation of a protected official sign, armorial bearing, flag or other emblem, or hall mark of a state or intergovernmental organization.

Where the trademark law of a country provides for an opposition procedure, an application will be published after it has been examined and any interested persons will be provided an opportunity to object to the registration of the mark if they consider their rights likely to be

affected by its registration. The Office will then make a decision based on the evidence provided by the two parties and this decision will usually be subject to an appeal.

Depending on national laws, the initial period of registration is not less than 7 years (generally 10 years). However, unlike other industrial property rights, the registration of marks can be renewed upon payment of a renewal fee indefinitely. See also "Conducting Trademark Searches".

For more information on Trademarks see Frequently Asked Questions.

COLLECTIVE MARKS

While the definition may vary from one country to the other, collective marks are usually defined as signs which distinguish the geographical origin, material, mode of manufacture, quality or other common characteristics of goods or services of different enterprises using the collective mark. The owner may be either an association of which those enterprises are members or any other entity, including a public institution or a cooperative. Most countries require that an application for a collective mark be accompanied by a copy of the regulations which govern the use of the collective mark and do not allow for the licensing of a collective mark. Like trade/service marks, collective marks are also maintained upon payment of renewal fees.

WELL-KNOWN MARKS

Well-known trade and service marks enjoy in most countries protection against signs which are considered a reproduction, imitation or translation of that mark provided that they are likely to cause confusion in the relevant sector of the public. Well-known marks are usually protected, irrespective of whether they are registered or not, in respect of goods and services which are identical with, or similar to, those for which they have gained their reputation. In many countries, they are also, under certain conditions, protected for dissimilar goods and services. It should be noted that, while there is no commonly agreed detailed definition of what constitutes a "well-known mark," countries may take advantage of the WIPO Joint Recommendations on the Protection of Well-Known Marks.

Protection of Well-Known Marks

Many countries protect unregistered well-known marks in accordance with their international obligations under the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). Consequently, not only big companies but also SMEs may have a good chance of establishing enough goodwill with customers so that their marks may be recognized as well-known marks and acquire protection without registration. It is, nevertheless, advisable to seek registration, taking into account that many countries provide for an extended protection of registered well-known marks against dilution (Art. 16.3 TRIPS), i.e., the reputation of the mark being weakened by the unauthorized use of that mark by others.

You should be aware of the fact that a number of trademark laws merely implement obligations under Article 16.3 of the TRIPS Agreement and protect well-known registered trademarks only under the following conditions:

- that the goods and services for which the other mark is used or is seeking protection are not identical with or similar to the goods for which the well-known mark acquired its reputation

- that the use of the other mark would indicate a connection between these goods and the owner of the well-known mark, and
- that these interests are likely to be damaged by such use.

GEOGRAPHICAL INDICATIONS

What is a geographical indication?

A geographical indication is a sign used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Most commonly, a geographical indication consists of the name of the place of origin of the goods. Agricultural products typically have qualities that derive from their place of production and are influenced by specific local factors, such as climate and soil. Whether a sign functions as a geographical indication is a matter of national law and consumer perception. Geographical indications may be used for a wide variety of agricultural products, such as, for example, "Tuscany" for olive oil produced in a specific area of Italy (protected, for example, in Italy by Law No. 169 of February 5, 1992), or "Roquefort" for cheese produced in France (protected, for example, in the European Union under Regulation (EC) No. 2081/92 and in the United States under US Certification Registration Mark No. 571.798).

INDUSTRIAL DESIGNS

Industrial designs are compositions of lines or colors or any three-dimensional forms which give a special appearance to a product or handicraft. They protect the ornamental or aesthetic aspect of a useful article, which usually appeals to the sense of sight or touch and can be reproduced in significant quantities.

Some Common Features of Procedures for the Protection of Industrial Designs

In most countries, protection of industrial designs can only be acquired through registration. In a number of these countries, no search is made and no examination of the substance is carried out prior to registration of the industrial design. Some countries provide for a search and examination in the event that the industrial design application has been published and a third party has objected to its registration by giving notice of opposition. In very few countries, protection may also be available for unregistered industrial designs.

As a general rule, to qualify for protection through registration, the design must be "new" or "original." The duration of protection differs from country to country. While the usual term of protection is 15 years (an initial period of five years with the possibility of renewal for two further periods of five years each), some countries provide protection for only 10 years, while others allow even 25. Renewal of protection is usually subject to the payment of a renewal fee. However, unlike marks, protection of industrial designs, once granted, is not subject to cancellation if they are not actively used.

COPYRIGHT

Copyright protection covers original creations in the literary (including software), musical and artistic domain, whatever the mode or form of expression. Acquisition of copyright protection is usually automatic once your work is fixed in some material form. However, in some cases there may be a possibility or, exceptionally, a need to register copyright.

Challenges in Intellectual Property Acquisition

Challenges that most SMEs face in acquiring IP protection include the following:

- inadequate manpower to undertake the necessary groundwork needed for IP acquisition, for example, initial searches and other pre-filing procedures;
- high costs involved, particularly, in the patenting process which may go hand in hand with the expenses for the translation of documents and fees for IP agents or attorneys;
- inadequate “in-house” knowledge of IP rights and procedures for their protection.

To some extent, the burdens associated with IP acquisition may be diminished if you have a greater understanding of how the IP system can be used effectively. SMEs may also reduce the workload and costs of acquiring IP by applying for IP protection through regional or international arrangements when seeking IP protection abroad (see “Protecting the IP Rights of Your SME Abroad”), making use of special services offered to SMEs, wherever available, or opting for lower levels of protection as in the case of utility model protection, where the legislation of the country or countries in question allows such forms of protection.

PROTECTING THE INTELLECTUAL PROPERTY RIGHTS OF YOUR SME ABROAD

Why Should Your SME Protect Its IP Abroad?

Sooner or later, many small and medium-sized enterprises (SMEs) operate in more than one market selling their products or services or licensing/franchising their intellectual property (IP) rights and know-how beyond their national borders. IP rights, however, are territorial, implying that they are usually only protected in the home country or region where protection has been applied for and obtained. Protecting IP in export markets is therefore crucial so as to enjoy the same benefits of protection abroad as are enjoyed on the domestic market. You should carefully consider applying for IP protection well in time in all countries to which you are likely to export or license your product or service in the foreseeable future (see "How can Intellectual Property Enhance the Export Opportunities of Your SME?").

WHEN SHOULD YOUR SME PROTECT ITS INTELLECTUAL PROPERTY ABROAD?

As a general recommendation, your SME should make sure to obtain adequate protection in all relevant export markets as early as possible.

With regard to patents for inventions, most countries allow a 12-month priority period from the date of filing of the first application for applying for patents in other countries. Once this period has elapsed you may no longer be able to obtain patent protection in other countries. This may signify an important loss of earnings from your export operations. (For a brief explanation of the meaning of "priority date" see Frequently Asked Questions.)

With regard to trademarks and industrial designs, most countries provide a 6-month priority period from the date of filing of the first application for applying for trademarks and industrial designs in other countries.

With regard to copyright, if you are a national or resident of a country party to the Berne Convention for the Protection of Literary and Artistic Works or a member of the World Trade Organization (WTO) bound by the provisions of the TRIPS Agreement, or if you have published your work for the first time or at least simultaneously in one of the above countries, your copyright will be automatically protected in all other countries that are party to the Berne Convention or are members of the WTO.

HOW CAN YOUR SME PROTECT ITS INTELLECTUAL PROPERTY ABROAD?

National Applications

One option is to seek protection in individual countries separately by applying directly to national Industrial/Intellectual Property Offices. Each application may have to be translated into a prescribed language which is usually the national language. You will be required to pay the national application fees and, particularly in the case of patents, you may need to entrust an IP agent or attorney who will assist you in making sure the application meets national requirements. If you are still in the phase of assessing the commercial viability of an invention or are still exploring potential export markets or licensing partners, the national process would appear to be particularly expensive and cumbersome, especially where protection is being sought in a large number of countries. In such cases, the facilities offered by the WIPO-administered systems of international protection for inventions, marks and industrial designs offer a simpler and generally less expensive alternative.

Regional Applications

Some countries have established regional agreements for obtaining IP protection for an entire region with a single application. The regional IP offices include:

- **European Patent Office** (for European patents): <http://www.european-patent-office.org>
- **Office for Harmonization in the Internal Market** (for European Community trademarks and, in the future, industrial designs): <http://oami.eu.int/>
- **African Regional Industrial Property Office** (ARIPO, the regional IP office for English-speaking Africa for patents, trademarks and industrial designs): <http://aripo.wipo.net/>
- **African Intellectual Property Office** (OAPI, the regional IP office for French-speaking Africa for patents, trademarks, industrial designs and, in the future, geographical indications and layout designs of integrated circuits): <http://oapi.wipo.net/>
- **Eurasian Patent Office** (for patent protection in countries of the Community of Independent States): <http://www.eapo.org/>
- **Benelux Trademark Office & Benelux Designs Office** (for trademark and industrial design protection in Belgium, the Netherlands and Luxembourg): <http://www.bmb-bbm.org/> & <http://www.bbtm-bbdtm.org/>
- **Patent Office of the Cooperation Council for the Arab States of the Gulf** (for patents): <http://www.gulf-patent-office.org.sa/>

INTERNATIONAL PROTECTION

WIPO-administered systems of international protection significantly simplify the process for simultaneously seeking IP protection in a large number of countries. Rather than filing national applications in many languages, the systems of international protection enable you to file a single application, in one language, and to pay one application fee. These international filing systems not only facilitate the process but also, in the case of marks and industrial designs, considerably reduce your costs for obtaining international protection (in the case of patents, the PCT helps your SME in gaining time to assess the commercial value of your invention before national fees are to be paid in the national phase). WIPO-administered systems of international protection include three different mechanisms of protection for specific industrial property rights.

- **International protection of inventions** is provided under the PCT system, the worldwide system for simplified multiple filing of patent applications. By filing one international patent application under the PCT, you actually apply for protection of an invention in each of a large number of member countries (now more than one hundred) throughout the world.

- **International protection of trademarks** is provided under the "Madrid system." The Madrid system simplifies greatly the procedures for registering a trademark in multiple countries that are party to the Madrid system. An international registration under the Madrid system produces the same effects as an application for registration of the mark filed in each of the countries designated by the applicant and, unless rejected by the office of a designated country within a certain period, has the same effect in that country as a registration in the Trademark Registry of that country. (See also "Twenty Questions About the Madrid Protocol" (Adobe PDF).)
- **International protection of industrial designs** is provided by the Hague Agreement. This system gives the owner of an industrial design the possibility to have his design protected in several countries by simply filing one application with the International Bureau of WIPO, in one language, with one set of fees in one currency.

WHY ARE TRADEMARKS RELEVANT TO THE SUCCESS OF YOUR SME?

Your trademarks are in many ways the face of your business. They allow your customers to distinguish your products or services from those of your competitors, giving your SME the possibility to better market its goods or services. But trademarks are not just used as identifiers. They are also seen as a guarantee of consistent quality. A customer who is pleased with the quality of your product or service will continue to purchase it based on the quality expectations based upon the known trademark. You should, therefore, take great care in choosing and designing an appropriate trademark, protecting it, using it with care in advertising, and policing its misleading or improper use by others.

While selecting a mark, you should find out whether the envisaged mark or similar ones have already been registered by other enterprises for the category of products or services and markets that you are interested in. This type of information is obtained by conducting a trademark search. Doing it early is crucial also to avoid unnecessary conflicts with other enterprises and loss of resources.

Once you have searched trademark databases for conflicting marks, you should think about finding the best way of protecting it. On how to register your trademark see: "Some Common Features of Trademark Registration Procedures."

On the importance of protecting your trademark in export markets see "Using Brands and Design to Market Goods and Services Abroad" and "Protecting the Intellectual Property Rights of Your SME Abroad."

CREATING OR SELECTING A TRADEMARK

Creating or selecting a trademark is no easy task. There are, in fact, specialized companies whose main service is to find or develop an appropriate trademark for your needs. While there are no hard-and-fast rules of what may be a successful trademark, there are some useful guidelines. Initially, you should make sure that your proposed mark meets the legal requirements for trademark registration. Above all, your mark must be sufficiently distinctive to be protectable and registrable with your national and foreign trademark offices. Inherent *distinctiveness* will also enhance its easy recognition by consumers. Moreover, among the commonly used criteria for creating, designing or selecting a trademark, you may wish to consider the following:

- The sign should be easy to read, spell, pronounce and remember in all relevant languages.
- It should have no adverse meaning in slang or undesirable connotations.
- It should be suitable for export markets with no adverse meaning in foreign languages, especially if you intend to commercialize the product abroad.
- It should not create confusion as to the nature of the product.
- It should be adaptable to all advertising media.

Your trademark of choice is likely to fall under one of the following categories:

Coined words (or "fanciful" words): These are invented words without any real meaning in any language (e.g. Kodak or Exxon). Coined words have the advantage of being easy to protect as they are more likely to be considered distinct. On the negative side, however, they

may be more difficult to remember for consumers requiring greater efforts in advertising the products.

Arbitrary marks are trademarks that consist of words that have a real meaning in a given language. The meaning of such words, however, has no relation to the product itself or to any of its qualities (e.g. Apple for a Computer). As is the case with coined words, while the level and ease of protection is generally high, there is no direct association between the mark and the product requiring thus greater marketing power to create such an association in the mind of the consumer.

Suggestive marks are marks which hint at one or some of the attributes of the product. The appeal of suggestive marks lies in the fact that they act as a form of advertising and may create a direct association in the mind of consumers between the trademark, certain desired qualities and the product. A related risk, however, is that some jurisdictions may consider a suggestive mark too descriptive or not sufficiently distinctive to meet the criteria for trademark protection.

CONDUCTING TRADEMARK SEARCHES

As a first step to protecting trademarks, you are advised to conduct a trademark search to make sure that the mark in question is not already in use by another enterprise in the target market(s). Trademark offices in many countries register marks without comparing them with existing trademark registrations and applications received earlier, but leave it to your future competitor to give notice of opposition once the mark or the application has been published/registered. Therefore, obtaining trademark registration in such countries is no guarantee that the trademark will not be infringing on the rights of others. It is therefore important, wherever possible, to search national trademark databases prior to using a trademark for your export operations.

Trademark searches may be conducted through online databases (though few countries currently offer such services), specialized firms, or at the national trademark registry. It is important to bear in mind that, while trademarks which are identical to your own mark can be easily identified, confusingly similar trademarks that conflict with your own will be more difficult to spot. Depending on the merit of the case, it may be advisable to use the services of a competent trademark agent or attorney for a trademark search for your SME.

Since most trademarks (with the exception of "well-known marks") only protect the goods or services for which they are registered as well as those goods or services that are similar to those for which the trademark is registered, your registered trademark may be lawfully used by others for marketing goods or services that are unrelated to those of your SME.

PROTECTING THE TRADE SECRETS OF YOUR SME

What is a Trade Secret?

Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret. Depending on the legal system, the protection of trade secrets forms part of the general concept of protection against unfair competition or is based on specific provisions or case law on the protection of confidential information.

The subject matter of trade secrets is usually defined in broad terms and includes sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and clients, and manufacturing processes. Whether a final determination of what information constitutes a trade secret will depend on the circumstances of each individual case, clearly unfair practices in respect of secret information include industrial or commercial espionage, breach of contract and breach of confidence.

HOW ARE TRADE SECRETS PROTECTED?

Contrary to patents, trade secrets are protected without registration, that is, trade secrets are protected without any procedural formalities. Consequently, a trade secret can be protected for an unlimited period of time. For these reasons, the protection of trade secrets may appear to be particularly attractive for SMEs. There are, however, some conditions for the information to be considered a trade secret. Compliance with such conditions may turn out to be more difficult and costly than it would appear at first glance. While these conditions vary from country to country, some general standards exist which are referred to in Art. 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement):

- The information must be secret (i.e. it is not generally known among, or readily accessible to, circles that normally deal with the kind of information in question).
- It must have commercial value because it is a secret.
- It must have been subject to reasonable steps by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements).

Example

An SME develops a process for the manufacturing of its products that allows it to produce its goods in a more cost-effective manner. Such a process provides the enterprise a competitive edge over its competitors. The enterprise in question may therefore value its know-how as a trade secret and would not want competitors to learn about it. It makes sure that only a limited number of people know the secret, and those who know it are made well aware that it is confidential. When dealing with third parties or licensing its know-how, the enterprise signs confidentiality agreements to ensure that all parties know that the information is a secret. In such circumstances, the misappropriation of the information by a competitor or by any third party would be considered a violation of the enterprise's trade secrets.

PRECAUTIONARY MEASURES TO BE TAKEN BY YOUR SME

Trade secrets are widely used by SMEs. In fact, many SMEs rely almost exclusively on trade secrets for the protection of their IP (although in many cases they may not even be aware that trade secrets are legally protected). It is important, therefore, to make sure that

enterprises take all necessary measures to protect their trade secret effectively. This includes:

- Firstly, considering whether the secret is patentable and, if so, whether it would not be better protected by a patent.
- Secondly, making sure that a limited number of people know the secret and that all those who do are well aware that it is confidential information.
- Thirdly, including confidentiality agreements within employees' contracts. Under the law of many countries, however, employees owe confidentiality to their employer even without such agreements. The duty to maintain confidentiality on the employer's secrets generally remains, at least for a certain period of time, even after the employee has left the employment.
- Fourthly, signing confidentiality agreements with business partners whenever disclosing confidential information.

PATENTS OR TRADE SECRETS?

Trade secrets are essentially of two kinds. On the one hand, trade secrets may concern inventions or manufacturing processes that do not meet the patentability criteria and therefore can only be protected as trade secrets. This would be the case of customer lists or manufacturing processes that are not sufficiently inventive to be granted a patent (though they may qualify for protection as a utility model). On the other hand, trade secrets may concern inventions that would fulfil the patentability criteria and could therefore be protected by patents. In the latter case, the SME will face a choice: to patent the invention or to keep it as a trade secret.

Some advantages of trade secrets include:

Trade secret protection has the advantage of not being limited in time (patents last in general for up to 20 years). It may therefore continue indefinitely as long as the secret is not revealed to the public.

Trade secrets involve no registration costs (though there may be high costs related to keeping the information confidential).

Trade secrets have immediate effect.

Trade secret protection does not require compliance with formalities such as disclosure of the information to a Government authority.

There are, however, some concrete disadvantages of protecting confidential business information as a trade secret, especially when the information meets the criteria for patentability:

If the secret is embodied in an innovative product, others may be able to inspect it, dissect it and analyze it (i.e. "reverse engineer" it) and discover the secret and be thereafter entitled to use it. Trade secret protection of an invention in fact does not provide the exclusive right to exclude third parties from making commercial use of it. Only patents and utility models can provide this type of protection.

Once these secrets are made public, anyone may have access to it and use it at will.

Trade secrets are more difficult to enforce than a patent. The level of protection granted to trade secrets varies significantly from country to country, but is generally considered weak, particularly when compared with the protection granted by a patent.

A trade secret may be patented by someone else who developed the relevant information by legitimate means.

CASES IN WHICH YOUR SME MAY BENEFIT FROM TRADE SECRET PROTECTION

While a decision will have to be taken on a case-by-case basis, in the following circumstances it would be advisable to make use of trade secret protection:

When the secret is not patentable.

When the likelihood is high that the information can be kept secret for a considerable period of time. If the secret information consists of a patentable invention, trade secret protection would only be convenient if the secret can be kept confidential for over 20 years (period of protection of a patent) and if others are not likely to come up with the same invention in a legitimate way.

When the trade secret is not considered to be of such great value to be deemed worth a patent (though a utility model may be a good alternative in countries where utility model protection exists).

When the secret relates to a manufacturing process rather than to a product, as products would be more likely to be reverse engineered.

When you have applied for a patent and are waiting for the patent to be granted.

It is important to bear in mind, however, that trade secret protection is generally weak in most countries, that the conditions for, and scope of, its protection may vary significantly from country to country depending on the existing statutory mechanisms and case law, and that the courts may require every significant and possibly costly effort to preserve secrecy. Patent or utility model protection, wherever possible, will provide much stronger protection.

HOW CAN YOUR SME BENEFIT FROM COPYRIGHT?

Is your enterprise involved in the creation, recording, publication, dissemination, distribution or retailing of artistic, musical or literary works? Does your company have a website, a brochure, a corporate video, or does it advertise on newspapers or TV? Is your SME using music, pictures, or software products owned by others in any of its publications, brochures, databases or websites? Does your company own the rights to any computer software? If you answered "yes" to any of the above, then you may wish to find out more about copyright issues. A brief explanation of the types of works covered by copyright protection and the rights conferred by copyright and related rights is available.

Once you have a clearer picture on the basics of copyright protection you may wish to know what your SME should do:

- a) Legitimately use or exploit the works or creations of others with the authorization of the author or right holder on fair and reasonable terms;
- b) Protect your own works or creations and make sure you make best use of your right and get fair economic rewards from any use made of your creations.

COPYRIGHT AND RELATED RIGHTS

What is copyright?

Copyright is a legal term describing rights given to creators for their literary and artistic works.

What is covered by copyright?

The kinds of works covered by copyright include: literary works such as novels, poems, plays, reference works, newspapers and computer programs; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings, photographs and sculpture; architecture; and advertisements, maps and technical drawings.

What rights does copyright provide?

The original creator of works protected by copyright, and their heirs, have certain basic rights. They hold the exclusive right to use or authorize others to use the work on agreed terms. The creator of a work can prohibit or authorize:

- its **reproduction** in various forms, such as printed publication or sound recording;
- its **public performance**, as in a play or musical work;
- **recordings** of it, for example, in the form of compact discs, cassettes or videotapes;
- its **broadcasting**, by radio, cable or satellite;
- its **translation** into other languages, or its **adaptation**, such as a novel into a screenplay.

Many creative works protected by copyright require mass distribution, communication and financial investment for their dissemination (for example, publications, sound recordings and films); hence, creators often sell the rights to their works to individuals or companies best able to market the works in return for payment. These payments are often made dependent on the actual use of the work, and are then referred to as royalties.

These economic rights have a time limit, according to the relevant WIPO treaties, of 50 years after the creator's death. National law may establish longer time limits. This limit enables both creators and their heirs to benefit financially for a reasonable period of time. Copyright protection also includes moral rights, which involve the right to claim authorship of a work, and the right to oppose changes to it that could harm the creator's reputation.

The creator or the owner of the copyright in a work can enforce rights administratively and in the courts, by inspection of premises for evidence of production or possession of illegally made "pirated" goods related to protected works. The owner may obtain court orders to stop such activities, as well as seek damages for loss of financial rewards and recognition.

Are ideas, methods or concepts protected by copyright?

Copyright protection extends only to expressions, and not to ideas, procedures, methods of operation or mathematical concepts as such. This principle has been confirmed by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO) as well as the WIPO Copyright Treaty.

What are rights related to copyright?

A field of rights related to copyright has rapidly developed over the last 50 years. These related rights grew up around copyrighted works, and provides similar, although often more limited and of shorter duration, rights to:

- **performing artists** (such as actors and musicians) in their performances;
- **producers of sound recordings** (for example, cassette recordings and compact discs) in their recordings;
- **broadcasting organizations** in their radio and television programs.

Why protect copyright?

Copyright and its related rights are essential to human creativity, by giving creators incentives in the form of recognition and fair economic rewards. Under this system of rights, creators are assured that their works can be disseminated without fear of unauthorized copying or piracy. This in turn helps increase access to and enhance the enjoyment of culture, knowledge, and entertainment all over the world.

How has copyright kept up with advances in technology?

The field of copyright and related rights has expanded enormously with the technological progress of the last several decades, which has brought new ways of spreading creations by such forms of worldwide communication as satellite broadcast and compact discs. Dissemination of works via the Internet is but the latest development which raises new questions concerning copyright. WIPO is deeply involved in the ongoing international debate to shape new standards for copyright protection in cyberspace. The organization administers the WIPO Copyright Treaty and the WIPO Performances and Phonogram Treaty (often known together as the "Internet Treaties"), which set down international norms aimed at preventing unauthorized access to and use of creative works on the Internet or other digital networks.

How is copyright regulated? Do you need to register to be protected?

Copyright itself does not depend on official procedures. A created work is considered protected by copyright as soon as it exists. According to the Berne Convention for the

Protection of Literary and Artistic Works, literary and artistic works are protected without any formalities in the countries party to that Convention. Thus, WIPO does not offer any kind of copyright registration system.

However, many countries have a national copyright office and some laws allow for registration of works for the purposes of, for example, identifying and distinguishing titles of works. In certain countries, registration can also serve as prima facie evidence in a court of law with reference to disputes relating to copyright.

Many owners of creative works do not have the means to pursue the legal and administrative enforcement of copyright, especially given the increasingly worldwide use of literary, musical and performance rights. As a result, the establishment of collective management organizations or societies is a growing trend in many countries. These societies can provide members the benefits of the organization's administrative and legal expertise in, for example, collecting, managing, and disbursing royalties gained from international use of a member's work.

USEFUL TIPS FOR YOUR SME AS A COPYRIGHT USER

For some enterprises, the use or exploitation of copyrighted works, sound recordings, broadcasts or performances may be a central part of their daily business activities. This may be the case for radio stations, publishing houses, libraries, shops or night clubs. For others, it may simply be an occasional tool used for enhancing corporate publications, websites and other marketing devices. For others still, use of copyright material may be confined to the use of their computer software. In all such cases, you may wish to consider the following issues:

Do I need a license? Probably the most important thing to know for an enterprise using or dealing in works protected by copyright or related rights is whether these activities require a license. As a general rule, every commercial use or exploitation of these rights requires a license or an assignment of the rights from the right owner. This ranges from the use of a famous song in a TV advertisement, to the sale and distribution of CDs and DVDs, and the use of software in a company's computers. In relation to licensing, you should find out whether the rights are administered by a collective management organization or by the author or producer directly and negotiate a license agreement before you use or exploit the product. Remember that litigation over copyright infringement may be a very expensive affair, and it would be convenient to think about these issues before you get yourself, and your company, into trouble! You may also wish to seek advice about the terms of your licensing agreement before you sign. In the case of certain products such as packaged software, the product is often licensed to you upon purchase. The terms and conditions of the license are often contained in the package which can be returned if you do not agree with the terms and conditions of the license.

Is there a collective management society? Collective management societies considerably simplify the process of obtaining licenses for various works. Rather than dealing directly with each individual author or rightholder, collective management societies offer users a centralized source where rates and terms of use can be negotiated, and where authorizations can be easily and quickly obtained. In recent years, the development of "one stop shops", bringing together various collective management societies that can easily and quickly deliver authorizations is considered to be particularly useful for multimedia production that require a wide variety of authorizations. Dealing with collective management societies, wherever possible, may save you a lot of time and money. Details of the relevant collecting societies operating in your country can be obtained from the national copyright office.

Can you freely use works published on the Internet? A common misperception is that works published on the Internet are in the public domain and may therefore be widely used by

anybody without the authorization of the right owner. Any works protected by copyright or related rights, ranging from musical compositions, to multimedia products, newspaper articles and audiovisual productions for which the time of protection has not expired, are protected regardless of whether they are published on paper or by other means for example, on the Internet. In each case you should, generally, seek the authorization of the right owner prior to use. Similarly, authorization is required if your SME is engaged in publishing or making copyright works, sound recordings, broadcasts or performances available through your Internet website.

USEFUL TIPS FOR YOUR SME AS A COPYRIGHT OWNER

If your company is directly involved in these so-called "copyright industries," e.g. creating, publishing, recording, distributing or selling works protected by copyright or related rights, you should make sure you are aware of your rights and take appropriate measures to exercise, license and enforce them. But even if you are not directly involved in the "copyright industries," your enterprise may occasionally produce some works protected by copyright or related rights. Corporate publications, brochures, websites, TV or newspaper advertisements, marketing videos are all likely to be protected under copyright legislation.

Either way, if you believe that your enterprise has created works protected by copyright or related rights and you wish to maximize your SME's rewards from such works, it would be prudent for you to seek the advice of your national copyright office or of a copyright lawyer. The following are some of the questions you could ask to better understand the copyright system in your country:

Is there a copyright depository? As a general rule, copyright protection is automatic and does not depend on registration. In some countries, however, there is a copyright depository and registering your work in the depository would be a smart choice as it would considerably assist you in case of dispute for example over the ownership of the work.

Who owns the rights? The owner of copyright in a work is generally the original creator or author of the work. There are, however, some exceptions to this rule. In some countries, for example, the economic rights over a copyright work are deemed to vest initially in the employer/producer, while in some others they are deemed to be assigned or transferred to the employer/producer. It would therefore be advisable to find out about the specific regulations in your own country.

What are my rights? The exclusive rights which are accorded to authors and right holders under national copyright legislation vary from one country to another. However, exclusive rights usually encompass, for example, the right of reproduction (right of making copies), the right of public performance, the right of broadcasting, and the right of adaptation. Also an increasing number of countries provide right holders with rights in relation to the distribution of their work over the Internet as well as protection against the circumvention of technological protection measures. Thus, it would be worthwhile finding out what rights are provided under your national copyright legislation in order for your SME to fully benefit from the protection of copyright and related rights. In order to facilitate legitimate trade of copyright works, it should also be kept in mind that the economic rights granted to authors have a time limit, according to the WIPO treaties, of 50 years after the creator's death. Longer periods of protection might be provided at the national level. Collective management organizations are usually in a position to provide appropriate information on the issue. Do also remember that copyright protection usually includes moral rights which include the right to claim authorship of a work and the right to oppose changes to it that could harm the creator's reputation.

FURTHER USEFUL TIPS FOR YOUR SME AS A COPYRIGHT OWNER

How do I obtain international protection for my works? If the country of which you are a national or a resident has ratified the international conventions in the field of copyright and related rights administered by WIPO, such as the Berne Convention, or is a member of the World Trade Organization and has implemented its obligations under the TRIPS Agreement, or if you have published your work for the first time or at least simultaneously in one of the above countries, your work protected by copyright will benefit from automatic protection in a large number of countries. If this is not the case, there may still be some reciprocal agreements between your country and some foreign countries that provide similar rights.

How should I license my works? If you wish to license your work to users such as broadcasters, publishers, or even entertainment establishments of any kind, ranging from bars to nightclubs, joining a collective management society may be a good option. Collective management organizations monitor uses of works on behalf of creators and are in charge of negotiating licenses and collecting remuneration. They are particularly common in the field of musical and literary works where there may be a large number of users of the same work and it would be difficult both for the owner of rights and the users to seek specific authorization for every single use and to monitor them. Where collective management societies are not available, license agreements need to be negotiated individually with the licensee. Expert advice may be useful for obtaining advantageous terms in the licensing contract.

How should I enforce my rights? The creator of a work has the right to allow or prohibit the use of his work. If you discover anybody using your copyright works without authorization you may enforce your rights administratively and in the courts. In many countries, so-called border measures to prevent the importation of pirated copyright goods are also available. Expert advice by an IP agent or attorney, the Copyright Office or the customs authorities would be crucial whenever you discover that your works are being infringed (also see "What Should Your SME do to Resolve Disputes Related to Intellectual Property?"). Some works such as software products, phonograms and audiovisual works may include technological measures of protection (e.g. encryptions, conditional access systems) to safeguard them from unlicensed use. Such systems are means by which right owners may limit access to those customers who accept certain conditions for the use of works and the payment to be made for such use.

PROTECTING INNOVATIONS BY UTILITY MODELS

What is a Utility Model?

A utility model is an exclusive right granted for an invention, which allows the right holder to prevent others from commercially using the protected invention, without his authorization, for a limited period of time. In its basic definition, which may vary from one country (where such protection is available) to another, a utility model is similar to a patent. In fact, utility models are sometimes referred to as "petty patents" or "innovation patents."

The main differences between utility models and patents are the following:

- The requirements for acquiring a utility model are less stringent than for patents. While the requirement of "novelty" is always to be met, that of "inventive step" or "non-obviousness" may be much lower or absent altogether. In practice, protection for utility models is often sought for innovations of a rather incremental character which may not meet the patentability criteria.
- The term of protection for utility models is shorter than for patents and varies from country to country (usually between 7 and 10 years without the possibility of extension or renewal).
- In most countries where utility model protection is available, patent offices do not examine applications as to substance prior to registration. This means that the registration process is often significantly simpler and faster, taking, on average, six months.
- Utility models are much cheaper to obtain and to maintain (see "How Can Your SME Acquire and Maintain IP Protection?").
- In some countries, utility model protection can only be obtained for certain fields of technology and only for products but not for processes.

Utility models are considered particularly suited for SMEs that make "minor" improvements to, and adaptations of, existing products. Utility models are primarily used for mechanical innovations.

The "Innovation Patent," recently launched in Australia, was introduced as a result of extensive research into the needs of small and medium-sized enterprises, with the aim of providing a "low-cost entry point into the intellectual property system." See link to press release in [IPAustralia](#).

Only a small but significant number of countries provide the option of utility model protection.

WHERE CAN UTILITY MODELS BE ACQUIRED?

Currently, a small but significant number of countries provide utility model protection. These include: Australia, Argentina, Armenia, Austria, Belarus, Belgium, Brazil, Bulgaria, China, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Guatemala, Hungary, Ireland, Italy, Japan, Kazakhstan, Kenya, Kyrgyzstan, Malaysia, Mexico, Netherlands, OAPI, Peru, Philippines, Poland, Portugal,

Republic of Korea, Republic of Moldova, Russian Federation, Slovakia, Spain, Tajikistan, Trinidad & Tobago, Turkey, Ukraine, Uruguay and Uzbekistan.

In countries where the national legislation does not provide for utility model protection, SMEs may either apply for a patent (see “How Can Your SME Acquire and Maintain Intellectual Property Rights” and “How do you Turn Inventions Into Profit-making Assets of Your SME?”) or keep the invention as a trade secret (see “Protecting the Trade Secret of Your SME”).

MANAGING THE INTELLECTUAL PROPERTY ASSETS OF YOUR SME

Managing an enterprise's IP assets is more than just acquiring the formal IP rights through the national IP office. Patent or trademark rights are not worth much unless they are adequately exploited. Moreover, part of a company's valuable IP may not require formal registration but may call for other measures of protection (e.g. confidentiality agreements). Enterprises willing to extract full value from their know-how and creativity should take adequate steps to develop an IP strategy for their business and see it integrate within their overall business strategy. This implies including IP considerations when drafting business plans and marketing strategies. A basic IP strategy would include at least the following:

A Policy on IP Acquisition

A single product or service may be protected by various forms of IP rights covering different aspects of that product or service. SMEs must consider the best protection package and make sure that all the formal rights are acquired as early as possible (see "How can Your SME Acquire and Maintain Intellectual Property Protection?"). SMEs should also bear in mind that creating a comprehensive IP portfolio may be a considerable investment. This is particularly the case for patents. SMEs must therefore carefully assess the costs and benefits of patenting on a case-by-case basis and develop a strategy/policy on patent acquisitions which is appropriate given their budget and market opportunities (for an overview of patent strategies see WIPO/IPR/MCT/99/5. [A in Adobe PDF format](#)).

A Policy on IP Exploitation

IP assets may be exploited in a variety of ways. These may include the commercialization of IP-protected products and services; the entering into licensing or franchising agreements; the sale of IP assets to other firms; the creation of joint ventures; the use of IP to obtain access to other companies' technology through cross-licensing agreements; or the use of IP to obtain business finance. Enterprises should decide in each case how they may best exploit their IP assets both domestically and internationally.

A Policy on IP Monitoring

Consulting patent and trademark databases regularly is important in order to find out about recent technical developments and new technologies, identify new licensing partners or suppliers, new market opportunities, monitor activities of competitors, identify possible infringers, and avoid infringing competitors' rights. See also "Using Patent Information for the Benefit of Your SME" and "Conducting Trademark Searches."

A Policy on IP Enforcement

A clear policy on IP enforcement is crucial due to the losses that may be incurred by the existence of counterfeited goods in the market and the high costs involved in some IP disputes. See "What Should Your SME do to Resolve Disputes Related to Intellectual Property?"

A description of how different companies with different levels of technological capacity may develop an IP strategy to suit their own needs is contained in a WIPO paper on "The Management of Intellectual Property Rights by Small and Medium-Sized Enterprises" (see WIPO/ACAD/E/93/12 available in [Adobe PDF format](#)).

SOME IMPORTANT STEPS TO BE CONSIDERED WHILE DEVELOPING AN INTELLECTUAL PROPERTY STRATEGY

- Check trademark databases to avoid using an existing trademark and protect trademarks before launching a new product or service with a new brand name. It is important to consider export markets when doing so and avoid using brand names that may have an undesirable meaning in a foreign language.
- Identify patentable subject matter and make sure it is patented early enough to avoid losing the invention to competitors.
- Make sure that patentable inventions are not shared with others or published before filing a patent application. In order to meet the patentability criteria, inventions must be considered "new". Early disclosure of an invention (e.g. through publication) will compromise the chances of the invention being considered new, and therefore patentable.
- Make sure that trade secrets are kept within the enterprise and prepare, where appropriate, confidentiality agreements when negotiating and sharing information with business partners in order to protect trade secrets.
- For export-oriented firms, make sure IP is protected in all potential export markets. In the case of patents, it is important to be aware in mind that an enterprise generally has 12 months from the date of filing of a national application to file the same patent application in other countries.
- Use your IP portfolio as leverage when seeking sources of finance for your business (e.g. include IP assets, particularly patents, utility models and industrial designs, in your business plan as it may help to convince investors of the market opportunities open to your enterprise).
- Use patent information available in patent databases to develop your business strategies.
- When conducting joint research with other enterprises or research institutes, make sure that there is sufficient clarity on who will own potential IP generated from the research project.
- Monitor the market and make sure that your IP assets are not being infringed. If a violation of your IP rights is detected, it may be advisable to contact a lawyer (see also "What Should Your SME do to Resolve Disputes Related to Intellectual Property?").

- If you are unsure about how to best protect your company's intangible assets, conducting an IP audit may be a good first step in order to identify all your company's valuable information and to develop an IP strategy. On occasions, companies are unaware of the wealth of assets they possess in the form of information, creative ideas and know-how and may, therefore, not take adequate steps to protect them.

The checklist is by no means exhaustive. These are some of the basic strategies that have been successfully pursued by enterprises that have fully integrated IP rights into their business strategy.

PRACTICAL IP ISSUES IN DEVELOPING A BUSINESS PLAN

What can a business plan do for you?

A business plan is a mechanism to ensure that the resources or assets of a business are applied profitably across all its activities for developing and retaining a competitive edge in the marketplace. For a new business it provides a blueprint for success, while for an ongoing business it provides an overview of where a business is at present, how the business is positioning itself, and how it seeks to achieve its objectives to become and/or remain successful.

Putting together a good business plan takes a lot of work. Then what justifies the time and energy you'll spend creating a plan? A business plan can be used for a variety of purposes:

To examine the feasibility of your business idea: A written business plan forces a company to think through all the key issues - such as the potential demand for its products or services, the nature of the competition, entry barriers, the unique selling proposition of the new or improved products or services, resources required, critical employees, relevant technologies and strategic partners, raising funds, projected start-up costs, marketing strategies, and the like.

To access start-up services and financing: Business incubators and potential investors and lenders require well-formulated and realistic business plans. This is often not the case; no wonder some 80% of business plans received by investors and business incubators are rejected.

To provide strategic guidance: A business plan is a reference point providing you and your management team with an objective basis for determining if the business is on track to meet the goals and objectives in the time frames set and with the available resources.

To furnish a standard/benchmark against which to judge future business decisions and results. This standard/benchmark may evolve along with the business, and as such the business plan is a dynamic document that should be revised based on new and evolving circumstances.

Why should intellectual property be integrated in your business plan?

New or original knowledge and the creative expression of ideas is the driving force of successful businesses in the 21st century. Therefore, safeguarding such knowledge and creative expression from inadvertent disclosure or its unauthorized use by competitors is becoming increasingly critical for developing and retaining competitive advantage. Building a

business also requires various types of other resources, including a network of relationships and sources of funds. The intellectual property (IP) protection system provides a key tool for (1) keeping at bay unscrupulous competitors, (2) developing relationships with employees, consultants, suppliers, subcontractors, business partners and customers, and (3) obtaining funds.

To be accepted by a business incubator or to attract investors, it is necessary to have a quality business plan that takes an objective look at the prospects of the proposed business. In order to convince investors you will have to show that (1) there is a demand for your product in the marketplace, (2) your product is superior to competing products, if any, and (3) you have taken adequate steps to prevent 'freeriding' on your success by dishonest competitors.

Most entrepreneurs would argue that the product they are offering is innovative, unique, or superior to the offerings of competitors. But is this really so? If you believe it is, you will have to prove it, and a patent (or other results of a reliable patent search) may be the best proof of novelty you can get.

Trade name, trademarks and domain names may be the prime elements that differentiate your product from those of competitors. Therefore, your proposed trade name, proposed trademark(s), and proposed domain name(s) should be carefully chosen and the steps taken to register these should be referred to in your business plan.

In addition, start-up service providers and investors will want to make sure that the product you propose to sell is not relying, without authorization, on other companies' trade secrets, copyrighted materials, patents or other IP rights as this may bring the downfall of your own business through expensive litigation. In some high-tech sectors the risk of infringing on third party IP rights is high and start-up service providers and investors may be reluctant to take the risk unless you can prove (e.g. through a patent or trademark search) that no such risks exist.

For many businesses confidential business information (such as details of production, secret inventions, and technical, financial and marketing know-how) alone may be the source of their competitive advantage. In such circumstances, it is important to communicate to start-up service providers and investors that your enterprise has proprietary and significant business information - known as trade secrets - and that you have taken adequate steps to protect it from employees and competitors. In fact, even your business plan is a secret document that should not be disclosed except on a 'need-to-know basis' and that too, generally, only after the employee, investor, or whoever else concerned, has first signed a non-disclosure or confidentiality agreement.

In short, if IP is an important asset for your business (i.e. if you own patents or patentable technologies, industrial designs, trade secrets, reputable trademarks or hold the economic right to copyright works), then it should be a key part of your business plan. An adequate reference to the assets of a company and of its market opportunities should not only list the tangible assets (e.g. factories, equipment, capital, etc) but also the intangible assets as the latter are increasingly the key to a company's success in a hypercompetitive environment. Assuredly, any indication that confirms due diligence on your part in the management of IP assets is likely to play an important role in convincing start-up service providers and investors of your company's potential.

How can IP be integrated into the business planning process?

Writing a plan requires good preparation. Before drafting your business plan, you need to think over a number of issues. You should understand what is the nature of your business; what resources would be required to meet your business' objectives; what are your target markets; what is the viability and growth potential of the business, etc. Also, you should identify the commercial relevance of IP assets, whether owned by you or to which you have authorized access, and the resources needed for obtaining and maintaining these assets.

The outline presented below lists some key points relating to IP that you need to consider while preparing your business plan. The importance of different points will depend on your particular situation and business. Further, the list is not exhaustive, and many additional issues may have to be considered depending on your circumstances. However, the answers to these questions may help you to integrate IP assets into your business planning process.

1. What IP assets do you own?

- Identify and classify your IP portfolio. This invariably includes confidential information/trade secrets, trade name(s), and trademark(s), often also domain names, industrial designs and copyright and related rights, and sometimes utility models and patents for inventions.
- What other intangible assets do you have? In this context, also consider franchise, license and distribution agreements, publishing rights, covenants not to compete, information databases, computer systems software, marketing profile, management expertise, distribution network, technical skills, etc.

2. What is the status of your IP portfolio?

- Do you have a system for identification of your IP assets? Do you have an IP portfolio? When was it created? Who created it?
- Which of your IP assets are registrable? If so, are they or should they be registered? Are they also registered in foreign countries/export markets? Is the registration to be renewed? If yes, when?
- Do you conduct or plan to conduct IP audits? If so, at what periodicity and by whom?

3. How do you plan to protect your IP assets?

If you commercialize your IP assets (regardless whether in-house or with a partner), do you have arrangements securing the ownership or co-ownership of your IP assets?

If you outsource a part of your business activities, do you have contracts in place that ensure your IP rights over the outsourced work and prohibit others from taking advantage or commercializing your product without your prior agreement?

How easy or difficult is it for others to properly acquire or duplicate your secret business information? What measures are taken to guard the secrecy of your confidential business information? Do you have an integrated security policy and plan for your physical and electronic assets? If you commercialize your IP assets (regardless whether in-house or with a partner), do you have arrangements maintaining the confidentiality of your secret business information? Have you included confidentiality or non-disclosure clauses and non-compete clauses in the employment agreements with your key employees and business partners?

Have you ensured that confidential business information/trade secrets are not available or lost by display on or through your website? Are all your URL headers free of confidential information? Do your web pages provide links to pages that have confidential information?

4. How important are IP assets to the success of your business?

To what extent are your IP assets currently being used, potentially useful, or no longer of use to your business?

Does your enterprise depend for its commercial success on IP assets, whether owned or licensed? On what types of IP assets does it depend?

Do you have new products or processes which will provide a unique competitive advantage? If so, will they revolutionize an industry? Can the associated IP rights be secured, providing additional differentiation and bar competitors from entering the market?

What competitive advantage do your IP assets (whether owned or licensed) provide to your enterprise? Assess and explain how IP provides or adds value to your customers and contributes to developing a sustainable competitive edge.

Do your trade secrets, patents, trademarks, copyrighted works and industrial designs go far enough to protect those aspects of your business that determine your business' success?

5. Do you own all IP assets that you need, or do you have to rely on IP assets owned by others?

Do you own the IP assets that you are using? Can you prove it? Do you have the records, registrations, contracts and other proof that an investor, business partner or a court of law may require? Have you identified any potential third-party claims on your IP (for example, industrial sponsors or contract research clients)?

Are you sure you are not infringing IP rights of someone else? Can you prove it (e.g. have you conducted a patent, trademark and/or industrial design search)? Have you verified if any of your key employees, who has worked for a competitor in the past, is bound by post-employment non-compete or non-disclosure confidentiality agreements by the previous employer(s)? Do you need access to third party IP in order to exploit your business idea? Have you been granted the license(s) you need for the use of IP, which is not owned by you?

Have you signed non-disclosure and/or non-compete agreements with key personnel, contractors, consultants or other external suppliers which assign to your business any IP they develop when working for you?

When you use external contractors to write and design your marketing and promotional material on your website/web pages, do their contracts specify who owns the IP that would be created? If employees do so, then is the work within the scope of their individual employment? If not, then have you taken a written assignment of copyright and other appropriate IP rights? Have you proper permission to use written material, graphics, photographs, music or anything else created by a third party for use on your website or in any other manner?

Does your website have any meta tags, hypertext links, frames or deep links to other websites? Are these duly authorized by the third parties concerned?

6. Do you know enough about your competitor's IP strategies and IP portfolios?

Do you have a plan for gathering competitive intelligence? Do you gather or plan to use IP information/databases for obtaining competitive intelligence on your competitors? By searching patent, trademark and industrial design registers, you can gain detailed legal, technical and business information about a competitor's operations and products. You can use this information to assess whether there is likely to be a market for your products. In addition, an IP search allows you to verify whether you can protect your IP, whether you are infringing another party's IP and whether others are already infringing or likely to infringe your IP rights.

Are there any IP related barriers to enter your competitor's market, e.g., patents, trademarks or industrial designs which underscore customer loyalty to competitor's corporate image, brands, etc.?

7. Do you have an IP policy and IP strategy for your enterprise?

How do you currently identify, protect, leverage and manage your IP assets?

What plans do you have in place to derive the maximum value from commercializing your IP assets?

Do you have a special marketing strategy? Do you plan to export? If so, have you used or plan to use a regional or international filing or registration system (such as the Patent Cooperation Treaty, the Madrid system or the Hague Agreement) for patent applications and trademark or design registrations?

Have you assessed the potential to commercialize some or all of your IP assets partly or wholly through licensing, franchising and/or selling them?

Have you conducted an independent IP audit periodically? And has valuation been done of your IP assets? Was this done independently?

How far have you considered taxation and incentives issues associated with the commercialization of your IP? There may be taxation-related requisites (such as registering) to the commercialization of IP. The taxation treatment of revenues and expenses resulting from the commercialization of your IP can differ widely from the accounting treatment. There may be government financial assistance measures associated with IP assets and their commercialization.

Do you plan to use your IP assets as security or collateral for a loan, or to create a tradable security in the securities market? What is the possibility of securitization of future revenue streams linked to a bundle/portfolio of your IP assets?

Do you have a staff education program that covers the management and protection of your IP assets?

Summary

Business plans are a crucial tool for approaching start-up service providers and investors and considering the market opportunities for your business. Because IP provides your enterprise competitive advantages and increases its value, it is necessary to let start-up service providers

and investors know about your IP assets by adequately integrating them into your business plan.

FURTHER LINKS AND READINGS

“The Management of Intellectual Property Rights by Small and Medium Sized Enterprises”
(see WIPO/ACAD/E/93/12 available in Adobe PDF format)

“The Role of Intellectual Property Rights in the Promotion of Competitiveness and Development of Enterprises” (see WIPO/IPR/MCT/99/5.A available in Adobe PDF format)

“Corporate Strategies for Managing, Exploiting and Enforcing Intellectual Property Rights”
(see WIPO/IP/PK/98/7 available in Adobe PDF format)

LINKS

- IPAustralia http://www.ipaustralia.gov.au/strategies/X_home.htm
- IPUnitedKingdom <http://www.intellectual-property.gov.uk>
- SurfIP: <http://www.surfip.gov.sg>
- Interactive IP Guides (Strategis, Canada): <http://strategis.ic.gc.ca/SSG/ed01716e.html>
- "Your Software and How to Protect it" (European Commission)
ftp://ftp.cordis.lu/pub/innovation-smes/docs/brochure_ipr_software_protection_en.pdf
- Indian Technology Information, Forecasting and Assessment Council
<http://www.indianpatents.org/index.htm>
- [Biotechnology Intellectual Property Manual](#) (Biotechnology Australia)

USING PATENT INFORMATION FOR THE BENEFIT OF YOUR SME

What is "Patent Information"?

"Patent information" is the technical and legal information contained in patent documents that are published periodically by patent offices. A patent document includes the full description of how a patented invention works and the claims which determine the scope of protection as well as details on who patented the invention, when it was patented and references to relevant literature. About two-thirds of the technical information revealed in patents is never published elsewhere and the entire set of patent documents worldwide includes approximately 40 million items. This makes patent information the single most comprehensive collection of classified technological data.

WHY IS PATENT INFORMATION USEFUL FOR YOUR SME?

Patent information is useful for SMEs for a number of reasons. Probably the most important one is that patents are a unique source of technical information which SMEs may find of great value for their strategic business planning. Most inventions are disclosed to the public for the first time when the patent (or, where the laws so provides, when the patent application) is published. Thus, patents provide a means of learning about current research and innovation often long before the innovative products appear on the market. The technical information contained in patent documents can provide your SME with important insights that may be used to:

- Avoid unnecessary expenses in researching what is already known
- Identify and evaluate technology for licensing and technology transfer
- Identify alternative technologies
- Keep abreast with the latest technologies in your field of expertise
- Find ready solutions to technical problems
- Get ideas for further innovation

From the point of view of the commercial strategy of your enterprise, patent information would help to:

- Locate business partners
- Locate suppliers and materials
- Monitor activities of real and potential competitors
- Identify niche markets

Finally, the information contained in patent documents could also be used by SMEs to:

- Avoid possible infringement problems
- Assess patentability of your own inventions

- Oppose grant of patents wherever they conflict with your own patent

WHAT ARE THE ADVANTAGES OF PATENT DOCUMENTS AS A SOURCE OF INFORMATION?

- They contain information which is often not divulged in any other form of literature.
- They have a relatively standardized format including an abstract, bibliographic information, a description of, and in most cases also drawings illustrating the invention and full details on the applicant.
- They are classified according to technical fields (for more information see "General Information on the International Patent Classification System"; also available in Spanish and French).
- They provide examples of industrial applicability of an invention.
- They cover practically every field of technology.

WHERE AND HOW CAN PATENT INFORMATION BE OBTAINED?

The emergence of web-based searchable patent databases has significantly facilitated the access to, and reduced the cost of, using patent information. Wherever web-based databases are not available, patent databases may be consulted manually, on microfilm or CD-ROMs, at the national patent offices, or through commercial organizations. Sources of patent information include the following:

- WIPO's Intellectual Property Digital Library: ipdl.wipo.int (A comprehensive electronic database on international patent applications since 1997 filed under the PCT system.)
- National patent offices: technological information services based on patent information are usually provided in exchange for a fee.
- Patent agents/patent attorneys or commercial organizations.
- Individual manual searches in patent centers, libraries or national patent offices.
- Individual electronic searches through electronic databases or CD-ROMs.

Links to Some Free Online Patent Databases

ipdl.wipo.int/en/links/

FURTHER LINKS AND READINGS

- "Patent Information and Documentation: Contents of a Patent Document" (see **WIPO/IP/CM/99/16** available in Adobe PDF format).
- "Patent Documents as a Source of Technological Information" (see **WIPO/IP/ET/00/9** available in Adobe PDF format).

- PatentsInformationServicesoftheBritishLib raryScienceTechnology
andBusiness(STB) <http://www.bl.uk/services/stb/patents.html>

LICENSING OF INTELLECTUAL PROPERTY RIGHTS; A VITAL COMPONENT OF THE BUSINESS STRATEGY OF YOUR SME

You may be interested in starting a new business, expanding an existing business (extending your territory or the nature of business) or improving the quality of the goods or services of your SME and thereby its market position. In many situations, licensing of intellectual property rights is an effective tool for achieving these business goals.

A licensing agreement is a partnership between an intellectual property rights owner (licensor) and another who is authorized to use such rights (licensee) in exchange for an agreed payment (fee or royalty). A variety of such licensing agreements are available, which may be broadly categorized as follows:

- Technology License Agreement
- Trademark Licensing and Franchising Agreement
- Copyright License Agreement

In practice, all or some of these agreements often form part of one single contract since in transfers of this nature many rights are involved and not simply one type of intellectual property right. You may also come across licensing agreements in other circumstances, such as, during a merger or acquisition, or in the course of negotiating a joint venture.

All of these mechanisms either on their own or in combination will provide your SME, as a licensor or licensee, a wide variety of possibilities in conducting business in your own country or elsewhere. As an intellectual property owner and a licensor, your SME can expand its business to the frontiers of your partners' business and ensure a steady stream of additional income. As a licensee, your SME can manufacture, sell, import, export, distribute and market various goods or services which it may be prevented from doing otherwise.

In the international context, a formal licensing agreement is possible only if the intellectual property right you wish to license is also protected in the other country or countries of interest to you. If your intellectual property is not protected in such other country or countries then you would not only not be able to license it, but also you would have no legal right to put any restriction on its use by anyone else.

TECHNOLOGY LICENSING

If your SME is interested in:

- improving the quality of your product or manufacturing a new product by using the rights owned by others in the form of a patent, utility model, or know-how protected by a trade secret, then acquiring such rights through a technology licensing agreement may be the rights solution, or
- entering a market or extending your existing market for a product for which your SME owns the rights to a patent, utility model or know-how protected by a trade secret, then authorizing another to use your processor product through a technology licensing agreement may be the rights solution.

By a technology licensing agreement the licensor authorizes the licensee to use the technology under certain agreed terms and conditions. It is, therefore, a contract freely entered into between two parties and contains terms and conditions so agreed.

JOINT VENTURES

A joint venture may consist of any variety of business relationships that involve two or more enterprises pooling their resources with the objective of implementing a common business purpose. Often, in such agreements, one party will contribute technology or know-how of which he is the proprietor and the other party may contribute financial and expertise of his own to the project. The joint venture will, therefore, often include a license agreement concluded by the parties concerned to regulate the use of the proprietary information and compensation for its use.

FRANCHISE OR TRADEMARK LICENSE AGREEMENTS

If your SME is interested in:

- marketing a product or service and the brand (trademark) of that product is owned by others, or
- entering or expanding the existing market for your product or service for which your SME owns the rights conferred by a trademark,

you may consider a trademark license agreement or a franchise agreement.

The principal function of a trademark or service mark is to distinguish the goods and services of one enterprise from that of another, thereby often identifying the source and making an implied reference to quality and reputation. This function is to some extent prejudiced if the trademark owner licenses another enterprise to use the trademark through a trademark license agreement. Therefore, the trademark owner is well advised, and often by law or contract required, to maintain a close connection with the licensee to ensure that the quality standards are maintained so that the consumer is not deceived.

Through a franchise agreement the owner of certain technical or other expertise who has usually gained a reputation in connection with the use of a trade or service mark (the franchiser) may team up with another enterprise (franchisee) who will bring in expertise of his own or financial resources to provide goods or services directly to the consumer. The franchiser will ensure, through the supply of technical and management skills, that the franchisee maintains the quality and other standards in relation to the use of the trade or service mark which often require certain standardized features like, for example, a uniform trade dress.

COPYRIGHT LICENSE AGREEMENTS

If your SME is interested in:

- manufacturing, distributing or marketing the results of the literary and artistic efforts of creators, or
- entering a market or expanding or extending your existing market for the literary and artistic efforts of your enterprise

you may consider a copyright license agreement. Many owners find it difficult to manage their rights on their own and they have formed collective management organizations that represent them and manage their rights for them. If you are interested in acquiring these rights you may have to address yourself to the appropriate collective management organization that will be authorized to license the various rights of their members.

FURTHER LINKS AND READINGS

National Technology Transfer Center (NTTC)

Website: <http://www.nttc.edu>

NTTC is specific to American research and business but provides tips on how to go about accessing technology that is lying dormant on laboratory shelves.

Intellectual Property Technology Exchange, Inc.

Website: <http://www.techex.com>

Founded in 1999, TechEx is a privately held corporation and provides an Internet-based exchange for buying and selling emerging technologies in the biomedical field. It is, however, a member-only system and is restricted to approved users like licensing professionals and venture capitalists.

Technology New Zealand

Website: <http://www.technz.co.nz/business/license/practic.htm>

The aim of this site is to consolidate sources of technological advice and assistance available primarily on the Internet and, in particular, provide guidance in negotiating a license agreement.

Intellectual Property Licensing Seminar of the University of Dayton School of Law

Website: <http://www.udayton.edu/~lawtech/cle99iplic.htm>

This site provides a paper on various aspects of licensing.

WHAT SHOULD YOUR SME DO TO RESOLVE DISPUTES RELATED TO INTELLECTUAL PROPERTY?

The more valuable the intellectual property asset of your SME, the greater the possibility that others would want to make use of the same, if possible, without having to pay for them. Do you have a strategy to prevent this? If despite your best efforts, someone is imitating, copying or infringing the intellectual property rights of your SME without your authorization, then what should you do? What are your options? How do you weigh the costs and benefits of various alternatives? Or would you simply rush to court?

You have the option to "ignore" the violation of the IP rights of your SME if the loss of income, sales or profits appear to be negligible from your point of view. If the scale of violation is already significant or will soon be so, then you must find out, as soon as possible, the culprits and deal with them expeditiously but methodically. At other times, however, you may be accused of stealing or infringing the IP rights of someone else intentionally or unknowingly.

If you have a dispute with a party to a contract with your SME, or a dispute in a business venture where there is no contract, it would be prudent to have included specific provisions in the pre-existing contract (if there is one) or, alternatively, to make a contract after the dispute arises, for the dispute to be referred for arbitration or mediation.

In those situations where there is an alleged infringement or a dispute, before taking any formal action, it would be prudent to seek legal counsel from a competent IP professional to more accurately assess the likelihood of a favorable outcome for your SME, at the lowest possible cost. The cost could be calculated in terms of the time that may be taken to obtain such a decision, the fees that you would have to pay to the court(s) and to your attorney(s), and the direct and indirect costs of alternatives that you would have to explore and follow in the event of a negative decision. You also have to assess the chances of winning your case, the amount of compensation and damages that you can reasonably expect to get from the infringing party as well as the likelihood and extent of reimbursement of attorney's fees in case the final decision is in your favor.

It is obvious that dealing with these kinds of situations requires a careful weighing of the pros and cons of different alternatives.

ARBITRATION AND MEDIATION

In many instances, the most expensive way to deal with infringement may be litigation in a court of law that has jurisdiction over the issue, in particular, when IP rights of your SME have been violated by a number of 'competitors' in the same or different jurisdictions. In the latter situation, your SME would have to enforce its rights in different places before different courts. For this reason, you may want an alternative dispute resolution mechanism - usually "arbitration" or "mediation" - which may be less costly and less time-consuming for your SME. Arbitration generally has the advantage of being a less formal procedure than court proceedings, and an arbitral award is more easily enforceable internationally. An advantage of mediation is that the parties retain control of the dispute resolution process. As such, it can help to preserve good business relations with another enterprise with which your SME may like to collaborate in the future.

Court Litigation or Alternative Dispute Resolution?

Depending on the merits of your case, mediation (or conciliation) and/or arbitration may be a good alternative to court proceedings. These alternative options are, however, generally available only when the dispute over IP rights is between parties to a contract, for example, between a licensor and a licensee, or between joint venture partners, who have agreed to take recourse to mediation and/or arbitration in preference to adjudication in a competent

court of law. It is prudent to consider the possibility of a dispute and provide means for its settlement at the time of drafting the original contract. Once a dispute has arisen, it is more difficult and sometimes even impossible to reach an agreement to settle the dispute by mediation and/or arbitration. Your SME may wish, however, to use the option to request the WIPO Arbitration and Mediation Center to contact the other enterprise, with which the dispute has arisen, in order to help the parties to agree to the submission of the dispute to the Center for settlement under the WIPO Mediation, Arbitration or Expedited Arbitration Rules. Often, mediation and arbitration are a very good substitute or at least, in the case of mediation, a less expensive prelude to formal litigation. As part of your business strategy, your SME would be well advised to incorporate appropriate clauses in agreements so that the option of dealing with IP disputes first (and possibly only) by recourse to mediation or arbitration is available.

The WIPO Arbitration and Mediation Center

Amongst a number of institutions that your SME can address for seeking assistance in resolution of its dispute without recourse to court proceedings, the WIPO Arbitration and Mediation Center is one that provides a variety of services for the resolution of commercial disputes between private enterprises, including SMEs. The Center provides services in relation to

- Arbitration;
- Mediation;
- Disputes concerning domain names; and
- Other specialized services for the resolution of disputes.

ENFORCING THE INTELLECTUAL PROPERTY RIGHTS OF YOUR SME

Acquisition and maintenance of an intellectual property right is meaningless if that right cannot be enforced in the marketplace. It is the threat of enforcement which allows an intellectual property right to be exploited as a commercial asset. When viewed in this context, the existence of an effective enforcement regime becomes a central aspect of a well-functioning IP system.

Why Enforce IP Rights

The main objective of acquiring IP protection is to enable your SME to reap the fruit of those inventions and creations of its employees which result in IP rights for your SME. Its intellectual property assets can only lead to benefits when the acquired intellectual property rights can be enforced, otherwise, infringers and counterfeiters will always take advantage of the absence of effective enforcement mechanisms to benefit from your hard work. In a nutshell, the enforcement of IP rights is essential for your SME in order to:

- Preserve the legal validity of its IP rights before the relevant public authority.
- Prevent infringement from occurring or continuing in the marketplace in order to avoid damage including loss of goodwill or reputation.
- Seek compensation for actual damage, e.g. loss of profit, resulting from any instance of infringement in the marketplace.

ENFORCEMENT - WHOSE INITIATIVE?

The burden of enforcing IP rights is mainly on the holder of such rights. It is up to your SME as an IP right holder to identify any infringement/counterfeiting of its IP rights and to decide what measures should be taken. Whereas in most cases you would initiate civil proceedings, in the case of counterfeiting and piracy you may consider initiating criminal procedures, if that option is available.

However, it is the responsibility of the national or state governments to establish institutions which facilitate the enforcement of intellectual property rights. The judiciary and, in some cases, the administrative bodies like intellectual property offices or customs authorities are government institutions which may have to deal with infringement or counterfeiting cases. Where border measures are available to prevent the importation of counterfeit trademark goods or pirated copyright goods, customs authorities have a major role to play when it comes to IP enforcement at the international border(s) of your country. According to the provisions of the applicable legislation, the customs authorities have to take action at their own initiative, on request of the right holder, or execute court orders. Furthermore, in some countries, there are industry associations which assist their members in enforcing their IP rights (see <http://www.bsa.org> or <http://www.riaa.com/index.cfm>).

In addition, there is also the option to seek enforcement between parties by private arbitration or mediation where your contract provides for a dispute to be settled by that means.

AVAILABILITY OF ENFORCEMENT PROCEDURES

The Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) obliges members of the [World Trade Organization](http://www.wto.org) (industrialized countries and many developing countries) to provide the prescribed mechanisms for enforcement of intellectual property rights. The relevant provisions of the TRIPS Agreement seek to ensure that civil, administrative and criminal procedures and remedies meet the prescribed minimum standards regarding evidence and availability of injunctions, damages, other remedies, right of information, indemnification of the defendant and administrative procedures.

For your SME as an IP right holder, it is of great practical importance to know that judicial authorities in a large number of countries are vested with power to order prompt and effective provisional measures aimed at stopping an alleged infringement.

In order to prevent the importation of counterfeit trademark and pirated copyright goods, border measures (at the international border) are available to the right holder in many countries through the national customs authorities. As an IP right holder your SME can be helped more easily by the customs authorities at the border; because otherwise you would have to deal with many infringers once the goods have been distributed in the country.

For details on the TRIPS Agreement see http://www.wto.org/english/tratop_e/trips_e/intel2_e.htm.

HOW DO YOU ENFORCE THE INTELLECTUAL PROPERTY RIGHTS OF YOUR SME?

It is always useful and often necessary to seek expert advice once you have established that someone is infringing your IP rights.

In order to avoid tying up the limited financial and human resources of your SME in formal proceedings, once you have found out that someone is infringing the IP rights of your SME, you should first think of sending a letter (commonly known as "cease and desist letter") to the alleged infringer informing him/her of the possible existence of a conflict between the

IP rights of your SME and his/her business activity (identifying exact area of conflict) and suggest that a possible solution to the problem be discussed.

It is advisable to seek the assistance of an attorney when one writes such a “cease and desist” letter in order to avoid court proceedings initiated by the alleged infringer protesting that no infringement has taken place or is imminent. This procedure is often effective in the case of non-intentional infringements since the infringer will in most such cases either discontinue his activities or agree to negotiate a licensing agreement.

When you are faced with intentional infringement, including, in particular, counterfeiting and piracy, you are well advised to seek the assistance of law enforcement authorities to surprise the infringer at his/her business premises in order to prevent an infringement and to preserve relevant evidence in regard to the alleged infringement. Furthermore, the infringer may be compelled by the competent judicial authorities to inform you of the identity of third persons involved in the production and distribution of the infringing goods or services and their channels of distribution. As an effective deterrent to infringement, the judicial authorities may order, upon request of your SME, that infringing goods be destroyed or disposed of outside the channels of commerce without compensation of any sort.

If you consider it in your interests to avoid court proceedings, you may consider making use of available alternative dispute mechanisms such as arbitration or mediation (see “Arbitration and Mediation”).

FURTHER LINKS AND READINGS

“The Role of The Government Authorities in the Enforcement of Intellectual Property Rights” (see WIPO/IPR/JU/BEY/99/5B available in Adobe PDF format)

http://docsonline.wto.org/gen_home.asp?language=1

By searching this link you can access the following WTO documents (whereby “Member” stands for Member of the World Trade Organization, i.e., in most cases, the name of the country in question).

IP/N/6/(member)/* (responses to the checklist of issues on enforcement).

IP/C/5 (members informing each other how they meet their enforcement obligations).

IP/Q4/(member)/* (replies to questions regarding enforcement posed by other Member States).

IP/N/1/(member)/E/* (notifications by Member States of their enforcement laws).

By searching the link on licensing IP you can obtain information on the licensing of intellectual property rights. In considering the licensing framework, you may consider the incorporation of clauses to provide for the resolution and enforcement of disputes between the parties.

HOW CAN COLLECTIVE MARKS, CERTIFICATION MARKS AND GEOGRAPHICAL INDICATIONS BE USEFUL FOR SMEs?

For a small and medium-sized enterprise (SME), obtaining consumer recognition and customer loyalty is an arduous task. Regardless of the quality of the goods, gaining access to retail stores, local markets and distribution networks and making products known among consumers requires a significant investment that may exceed the budget of many firms. Given the small scale of production, many SMEs will find it difficult to develop a powerful marketing campaign that will enable them to position their products and create a reputation for their goods that will attract consumers. So what options are available?

"If you cannot beat them, join them" the old saying goes. And there is much wisdom in those words. Working together, SMEs may develop a joint marketing campaign for their products using collective marks. In fact, many would argue that one of the central challenges for SMEs is not so much their size but their isolation. Collective marks may provide a useful basis for association between various SMEs making similar products helping them to enhance recognition and build a reputation for their products.

SMEs may also seek to register their product as a geographical indication if they consider that there is a clear link between their product and the geographical area where it was manufactured. This would guarantee exclusivity over the use of the geographical indication (e.g. "champagne" or "tequila") to promote their products.

Finally, they may use certification marks to certify that the product meets certain required standards thus giving consumers an indication that their product has been checked by an organization considered competent to certify the product and has met the necessary requirements. This too may help a company to market its products and improve its image among consumers.

COLLECTIVE MARKS

Under the intellectual property law of most countries, there are provisions on the protection of collective marks. Collective marks are usually defined as signs which distinguish the geographical origin, material, mode of manufacture or other common characteristics of goods or services of different enterprises using the collective mark. The owner may be either an association of which those enterprises are members or any other entity, including a public institution or a cooperative.

The owner of the collective mark is responsible for ensuring the compliance with certain standards (usually fixed in the regulations concerning the use of the collective mark) by its members. Thus, the function of the collective mark is to inform the public about certain particular features of the product for which the collective mark is used. Most countries require that an application for a collective mark be accompanied by a copy of the regulations which govern the use of the collective mark.

Collective marks are often used to promote products which are characteristic of a given region. In such cases, the creation of a collective mark has not only helped to market such products domestically and occasionally internationally, but has also provided a framework for cooperation between local producers. The creation of the collective mark, in fact, must go hand in hand with the development of certain standards and criteria and a common strategy. In this sense, collective marks may become powerful tools for local development.

Consider, in particular products which may have certain characteristics which are specific to the producers in a given region, linked to the historical, cultural, social conditions of the area. A collective mark may be used to embody such features and as the basis for the marketing of the said products, thus benefiting all producers.

Associations of SMEs may, therefore, register collective marks in order to jointly market the products of a group of SMEs and enhance product recognition. Collective marks may be used together with the individual trademark of the producer of a given good. This allows companies to differentiate their own products from those of competitors, while at the same time benefiting from the confidence of the consumers in products or services offered under the collective mark.

Collective marks may therefore represent useful instruments for SMEs assisting them to overcome some of the challenges associated with small size and isolation in the marketplace. [National industrial property offices](#) will be able to provide more information on the procedures for the registration and use of collective and certification marks.

See case studies on "[Chirimoya Cumbe](#)" and "[APDL Cajamarca](#)" for a practical illustration of how collective marks work in practice.

WHAT IS A GEOGRAPHICAL INDICATION ?

A geographical indication is a sign used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Most commonly, a geographical indication consists of the name of the place of origin of the goods. Agricultural products typically have qualities that derive from their place of production and are influenced by specific local factors, such as climate and soil. Whether a sign functions as a geographical indication is a matter of national law and consumer perception. Geographical indications may be used for a wide variety of agricultural products, such as, for example, "Tuscany" for olive oil produced in a specific area of Italy (protected, for example, in Italy by Law No. 169 of February 5, 1992), or "Roquefort" for cheese produced in France (protected, for example, in the European Union under Regulation (EC) No. 2081/92 and in the United States under US Certification Registration Mark No. 571.798).

Can geographical indications only be used for agricultural products ?

The use of geographical indications is not limited to agricultural products. They may also highlight specific qualities of a product which are due to human factors that can be found in the place of origin of the products, such as specific manufacturing skills and traditions. That place of origin may be a village or town, a region or a country. An example for the latter is "Switzerland" or "Swiss," which is perceived as a geographical indication in many countries for products that are made in Switzerland and, in particular, for watches.

What is an appellation of origin ?

An appellation of origin is a special kind of geographical indication, used on products that have a specific quality that is exclusively or essentially due to the *geographical environment* in which the products are produced. The concept of geographical indication encompasses appellations of origin.

What does a geographical indication do?

A geographical indication points to a specific place or region of production that determines the characteristic qualities of the product that originates therein. It is important that the product derives its qualities and reputation from that place. Since those qualities depend on the place of production, a specific "link" exists between the products and their original place of production.

Why do geographical indications need protection?

Geographical indications are understood by consumers to denote the origin and the quality of products. Many of them have acquired valuable reputations which, if not adequately protected, may be misrepresented by dishonest commercial operators. False use of geographical indications by unauthorized parties is detrimental to consumers and legitimate producers. The former are deceived and led into believing to buy a genuine product with specific qualities and characteristics, while they in fact get a worthless imitation. The latter suffer damage because valuable business is taken away from them and the established reputation for their products is damaged.

What is the difference between a geographical indication and a trademark?

A trademark is a sign used by an enterprise to distinguish its goods and services from those of other enterprises. It gives its owner the right to exclude others from using the trademark. A geographical indication tells consumers that a product is produced in a certain place and has certain characteristics that are due to that place of production. It may be used by all producers whose products in the place designated by a geographical indication and whose products share typical qualities.

How is a geographical indication protected?

Geographical indications are protected in accordance with national laws and under a wide range of concepts, such as laws against unfair competition, consumer protection laws, laws for the protection of certification marks or special laws for the protection of geographical indications or appellations of origin. In essence, unauthorized parties may not use geographical indications if such use is likely to mislead the public as to the true origin of the product. Applicable sanctions range from court injunctions preventing the unauthorized use to the payment of damages and fines or, in serious cases, imprisonment.

How are geographical indications protected on the international level?

A number of treaties administered by the World Intellectual Property Organization (WIPO) provide for the protection of geographical indications, most notably the Paris Convention for the Protection of Industrial Property of 1883, and the Lisbon Agreement for the Protection of Appellations of Origin and Their International Registration. In addition, Articles 22 to 24 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) deal with the international protection of geographical indications within the framework of the World Trade Organization (WTO).

What is a "generic" geographical indication?

If a geographical term is used as the designation of a kind of product, rather than an indication of the place of origin of that product, this term does not longer function as a geographical indication. Where that has occurred in a certain country over a substantial period of time, that country may recognize that consumers have come to understand a geographical term that once stood for the origin of the product - for example, "Dijon Mustard,"

a style of mustard originally from the French town of Dijon - to denote now a certain kind of mustard, regardless of its place of production.

What is WIPO's role in protection of geographical indications?

WIPO is in charge of the administration of a number of international agreements which deal partly or entirely with the protection of geographical indications (see, in particular, the Paris Convention for the Protection of Industrial Property, and the Lisbon Agreement for the Protection of Appellations of Origin and Their International Registration). Furthermore, through the work of the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, made up of representatives of member States and interested organizations, WIPO explores new ways of enhancing the international protection of geographical indications.

CERTIFICATION MARKS

A number of countries also provide for the protection of certification marks. **Certification marks** are usually given for compliance with defined standards, but are not confined to any membership. They may be used by anyone who can certify that the products involved meet certain established standards. Famous certification marks include WOOLMARK which certifies that the goods on which it is used are made of 100% wool.

In many countries, the main difference between collective marks and certification marks is that the former may only be used by a specific group of enterprises, e.g., members of an association, while certification marks may be used by anybody who complies with the standards defined by the owner of the certification mark. An important requirement for certification marks is that the entity which applies for registration is considered "competent to certify" the products concerned.

Certification marks may be used together with the individual trademark of the producer of a given good. The label used as a certification mark will be evidence that the company's products meet the specific standards required for the use of the certification mark.

ANNEX

COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS

Before defining the concept of collective management and introducing its main features, let us look briefly at what copyright and related rights themselves amount to.

What is copyright?

When a person creates a literary, musical, scientific or artistic work, he or she is the owner of that work and is free to decide on its use. That person (called the "creator" or the "author" or "owner of rights") can control the destiny of the work. Since, by law, the work is protected by copyright from the moment it comes into being, there is no formality to be complied with, such as registration or deposit, as a condition of that protection. Mere ideas in themselves are not protected, only the way in which they are expressed.

Copyright is the legal protection extended to the owner of the rights in an original work that he has created. It comprises two main sets of rights: the economic rights and the moral rights.

The economic rights are the rights of reproduction, broadcasting, public performance, adaptation, translation, public recitation, public display, distribution, and so on. The moral rights include the author's right to object to any distortion, mutilation or other modification of his work that might be prejudicial to his honor or reputation.

Both sets of rights belong to the creator who can exercise them. The exercise of rights means that he can use the work himself, can give permission to someone else to use the work or can prohibit someone else from using the work. The general principle is that copyright-protected works cannot be used without the authorization of the owner of rights. Limited exceptions to this rule, however, are contained in national copyright laws. In principle, the term of protection is the creator's lifetime and a minimum of 50 years after his death.

These legal aspects are specified in international conventions to which most countries are now party. On their accession, member States should have national legislation that are in line with the international standards.

At the international level, the economic and moral rights are conferred by the Berne Convention for the Protection of Literary and Artistic Works, commonly known as the "Berne Convention". This Convention, which was adopted in 1886, has been revised several times to take into account the impact of new technology on the level of protection that it provides. It is administered by the World Intellectual Property Organization (WIPO), one of the specialized international agencies of the United Nations system.

What is protection of related rights?

Whereas the rights provided by copyright apply to authors, "related rights", also known as "neighboring rights" concern other categories of owners of rights, namely, performers, the producers of phonograms and broadcasting organizations.

Related rights are the rights that belong to the performers, the producers of phonograms and broadcasting organizations in relation to their performances, phonograms and broadcasts respectively.

Related rights differ from copyright in that they belong to owners regarded as intermediaries in the production, recording or diffusion of works. The link with copyright is due to the fact that the three categories of related rights owners are auxiliaries in the intellectual creation process since they lend their assistance to authors in the communication of the latter's works

to the public. A musician performs a musical work written by a composer; an actor performs a role in a play written by a playwright; producers of phonograms -- or more commonly "the record industry" -- record and produce songs and music written by authors and composers, played by musicians or sung by performers; broadcasting organizations broadcast works and phonograms on their stations.

At the international level, related rights are conferred by the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, better known as the "Rome Convention". This Convention was adopted in 1961 and has not been revised since. It is jointly administered by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Labour Organization (ILO) and WIPO.

The 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (or TRIPS Agreement), which is administered by the World Trade Organization (WTO), incorporates or refers to this international protection.

There are still other international treaties that concern copyright and related rights protection; further information may be obtained on them by applying to WIPO (see address below).

What is collective management of copyright and related rights?

It has been mentioned that the creator of a work has the right to allow or to prohibit the use of his works; a playwright can consent to his work being performed on stage under certain agreed conditions; a writer can negotiate a contract with a publisher for the publication and distribution of a book; and a composer or a musician can agree to have his music or performance recorded on compact disc. These examples illustrate how the owners of the rights can exercise their rights in person.

Other cases show that individual management of rights is virtually impossible with regard to certain types of use for practical reasons. An author is not materially capable of monitoring all uses of his works; he cannot for instance contact every single radio or television station to negotiate licenses and remuneration for the use of his works. Conversely, it is not practical for a broadcasting organization to seek specific permission from every author for the use of every copyrighted work. An average of 60'000 musical works are broadcast on television every year, so thousands of owners of rights would have to be approached for authorization. The very impracticability of managing these activities individually, both for the owner of rights and for the user, creates a need for collective management organizations, whose role is to bridge the gap between them in these key areas, among others.

Collective management is the exercise of copyright and related rights by organizations acting in the interest and on behalf of the owners of rights.

Why is collective management of copyright and related rights necessary?

Composers, writers, musicians, singers, performers and other talented individuals are among society's most valuable assets. The fabric of our cultural lives is enriched by their creative genius. In order to develop their talent and encourage them to create, we have to give those individuals incentives, namely remuneration in return for permission to make use of their works.

Collective management organizations are an important link between creators and users of copyrighted works (such as radio stations) because they ensure that, as owners of rights, creators receive payment for the use of their works.

Who are members?

Membership of collective management organizations is open to all owners of copyright and related rights, whether authors, composers, publishers, writers, photographers, musicians, or performers. Broadcasting organizations are not included in the list, as they are considered users, even though they have certain rights in their broadcasts. On joining the collective management organization, members provide some personal particulars and declare the works that they have created. The information provided forms part of the documentation of the collective management organization that allows the link between the use of works and payment for the use of works to be made to the correct owner of the rights. The works declared by the organization's members constitute what is known as the "national" or "local" repertoire (as opposed to the international repertoire which is made up of the foreign works managed by collective management organizations in the world).

What are the commonest types of right under Collective management?

Collective management organizations most commonly take care of the following rights:

The right of public performance (music played or performed in discotheques, restaurants, and other public places);

The right of broadcasting (live and recorded performances on radio and television);

The mechanical reproduction rights in musical works (the reproduction of works in CDs, tapes, vinyl records, cassettes, mini-discs, or other forms of recordings);

The performing rights in dramatic works (theater plays);

The right of reprographic reproduction of literary and musical works (photocopying);

Related rights (the rights of performers and producers of phonograms to obtain remuneration for broadcasting or the communication to the public of phonograms).

How does collective management work?

There are various kinds of collective management organization or groups of such organizations, depending on the category of works involved (music, dramatic works, "multimedia" productions, etc.) that will collectively manage different kinds of right.

"Traditional" collective management organizations, acting on behalf of their members, negotiate rates and terms of use with users, issue licenses authorizing users, collect and distribute royalties. The individual owner of rights does not become directly involved in any of these steps.

Rights clearance centers grant licenses to users that reflect the conditions for the use of works and the remuneration terms set by each individual holder of rights who is a member of the center (in the field of reprography, for instance, authors of written works such as books, magazines and periodicals). Here the center acts as an agent for the owner of the rights who remains directly involved in setting the terms of use of his works.

"One-stop-shops" are a sort of coalition of separate collective management organizations which offer users a centralized source where authorizations can be easily and quickly obtained. There is a growing tendency to set up such organizations on account of growing popularity of "multimedia" productions (productions composed of, or created from, several types of work, including computer software) which require a wide variety of authorizations.

IN THE FIELD OF MUSICAL WORKS (encompassing all types of music, modern, jazz, classical, symphonic, blues and pop whether instrumental or vocal), documentation, licensing

and distribution are the three pillars on which the collective management of the rights of public performance and broadcasting is based.

The collective management organization negotiates with users (such as radio stations, broadcasters, discotheques, cinemas, restaurants and the like), or groups of users and authorizes them to use copyrighted works from its repertoire against payment and on certain conditions. On the basis of its documentation (information on members and their works) and the programs submitted by users (for instance, logs of music played on the radio), the collective management organization distributes copyright royalties to its members according to established distribution rules. A fee to cover administrative costs, and in certain countries also socio-cultural promotion activities, is generally deducted from the copyright royalties. The fees actually paid to the copyright owners correspond to the use of the works and are accompanied by a breakdown of that use. These activities and operations are performed with the aid of computerized systems especially designed for the purpose.

IN THE FIELD OF DRAMATIC WORKS (which includes scripts, screenplays, mime shows, ballets, theater plays, operas and musicals), the practice of collective management is rather different in that the collective management organization acts as an agent representing authors. It negotiates a general contract with the organizations representing theaters in which the minimum terms are specified for the exploitation of particular works.

The performance of each play then requires further authorization from the author, which takes the form of an individual contract setting out the author's specific conditions. The collective management organization then announces that permission has been given by the author concerned and collects the corresponding remuneration.

IN THE FIELD OF PRINTED WORKS (meaning books, magazines, and other periodicals, newspapers, reports and the lyrics of songs), collective management mainly involves the grant of the right of reprographic reproduction, in other words allowing protected material to be photocopied by institutions such as libraries, public organizations, universities, schools and consumer associations. Non-voluntary licensing arrangements, when allowed by international conventions, can be written into national legislation; in such cases, a right of use against remuneration is accorded that does not require the consent of the owner of rights. Collective management organizations administer the remuneration. In the special case of reproduction for private and personal use, some national legislation contains specific provision for equitable remuneration payable to the owners of rights and funded by a levy imposed on equipment or photocopies or both.

IN THE FIELD OF RELATED RIGHTS, the national legislation of some countries provide for a right of remuneration payable to performers or producers of phonograms or both when commercial sound recordings are communicated to the public or used for broadcasting. The fees for such uses are collected and distributed either by joint organizations set up by performers and producers of phonograms or separate ones, depending on the relation of those involved and the legal situation within the country.

Where do collective management organizations operate?

The application of national law that establish rights in literary and artistic works and in related rights has an effect only within the boundaries of that country. According to the national treatment principle enshrined in both the Berne Convention and the Rome Convention, foreign owners of rights are treated in the same way as nationals in most respects. This principle is upheld by collective management organizations which, under reciprocal representation agreements, administer foreign repertoires on their national territory, exchange information and pay royalties to foreign owners of rights.

Link to non-governmental organizations

There is now a well-established global network of collective management organizations, and they are strongly represented by non-governmental organizations such as the International Confederation of Societies of Authors and Composers (CISAC), the International Federation of Reprographic Reproduction Organisations (IFRRO), and at the European level, the Association of European Performers Organizations (AEPO), to mention only those.

As part of its international development cooperation activities, WIPO is working closely with the above organizations, and also with others, such as the International Federation of Actors (FIA), the International Federation of Musicians (FIM), the International Federation of the Phonographic Industry (IFPI). The aim is to assist developing countries, upon their request, in establishing collective management organizations, and to strengthen existing organizations to ensure that they can be fully efficient and effective, among other things in their response to the challenges of the digital environment. Such activities are carried on under the WIPO Cooperation for Development Program.

Socio-economic and cultural dimension

Collective management does a valuable service to the world of music and other creative arts. By managing their rights, the system is rewarding creators for their work, and the creators in turn are more inclined to develop and apply their talents in an environment that provides adequate copyright and related rights protection and an efficient system for the management of rights. Such a situation encourages creators to contribute to the development of the cultural sector, attracts foreign investment and generally enables the public to make the most of a broad array of works. Together, the sector has an undeniably favorable impact on national economies; cultural industries contribute up to 6% of the gross national product of some major countries, income from the collective management of copyright and related rights accounts for a substantial part of that percentage.

Some collective management organizations offer various kinds of social welfare protection to their members. The benefits often include assistance with payment for medical treatment or insurance, annuities on retirement or some sort of guaranteed income based on the members' royalty payment history.

Collective management organizations may sponsor cultural activities to promote the national repertoire of works at home and abroad. They promote the holding of theater festivals, music competitions, production of national folklore and music anthologies and other such activities.

Welfare protection and the promotion of cultural activities are not compulsory. When they are provided for, however, they may take the form of a deduction that the collective management organization makes from the royalties collected. There is no unanimous view among collective management organizations on the idea of a deduction, which according to the rules of CISAC should not represent more than 10% of net income.

Collective management and the digital environment

Copyrighted works will be increasingly delivered in digital form via global networks such as the Internet. As a result the collective management of copyright and related rights by public, semi-public and market sector entities will be engineered to take advantage of the efficiency gains offered by information technology. The ever-increasing opportunities offered to the holders of rights by the Internet and the advent of "multimedia" productions are affecting the conditions of protection, the exercise and management of copyright and related rights, and also the enforcement of rights.

In the online world of the new millennium, the management of rights is taking on a new dimension. Protected works are now digitized, compressed, uploaded, downloaded, copied and distributed on the Internet to any place in the world. The expanding power of this network allows mass storage and online delivery of protected material. The possibility of downloading

the contents of a book, or to listen to and record music from cyberspace is now a reality. While this presents immeasurable opportunities, there are also many challenges for owners, users and collective management organizations.

Many collective management organizations have developed systems for online delivery of information relating to the licensing of works and content, the monitoring of uses and the collection and distribution of remuneration for various categories of works within the digital environment. These digital information systems, which depend on the development and use of unique numbering systems and codes that are embedded in digital carriers such as CDs, films, allow works, their owners, the digital carriers themselves to be properly identified and provide the relevant information. Adequate legal protection is needed to prevent acts intended to circumvent technical protection measures, and also to insure against the removal or alteration of any element of the digital information systems or other such practices.

Two treaties were concluded in 1996, under the auspices of WIPO, to respond to the challenges of protecting and managing copyright and related rights in the digital age. Known as "the Internet treaties," the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (WCT and WPPT respectively -- see the WIPO information brochures on them) deal among other things with obligations concerning technological protection measures and rights management information in the digital environment; they ensure that the owners of rights are protected when their works are disseminated on the Internet; they also contain provisions requiring national legislators to provide efficient protection for technological measures, by prohibiting the import, manufacture and distribution of illicit circumvention tools or material and also outlawing acts detrimental to rights management information systems.

There are other specific brochures on copyright, related rights and the WCT and WPPT treaties; they are obtainable from WIPO on request. For more information on collective management, the readers should approach the Copyright Collective Management Division at WIPO on +41 223389143 (Secretariat), or visit the WIPO website, www.wipo.int.

For more information on the SMEs Division of WIPO, please visit the SME Website at <http://www.wipo.int/sme> or contact:

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