ITC/WIPO

International Trade Centre
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World Intellectual Property Organization

Secrets of Intellectual Property

A guide for small and medium-sized exporters

Secrets of Intellectual Property

ITC/WIPO

International Trade Centre (ITC)

ITC is the technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for operational and enterprise-oriented aspects of international trade development.

ITC supports developing and transition economies, and particularly their business sectors, in their efforts to realize their full potential for developing exports and improving import operations.

ITC contributes, among other things, to the advancement of the creation enterprises sector by promoting trade opportunities, in order to increase immediate benefits as well as long-range export capacity and international competitiveness. It encourages the integration of the cultural dimension into the national trade development support policies of developing and transition economies.

World Intellectual Property Organization (WIPO)

WIPO is an intergovernmental organization in the United Nations system of organizations. It seeks to ensure that the rights of creators and owners of intellectual property are protected worldwide and that inventors and authors are recognized and rewarded for their ingenuity.

WIPO's mission is to promote through international cooperation the creation, dissemination, use and protection of works of the human spirit for the economic, cultural and social progress of all humanity.

WIPO provides, among other things, technical assistance in relation to intellectual property to small and medium-sized enterprises (including artisans, and visual artists). It contributes to the enhancement of their competitiveness by enabling them to fully exploit their innovative and creative potential through an effective use of the intellectual property system.

This Guide provides a basic knowledge and understanding of marketing techniques and intellectual property for artisans, craft entrepreneurs and visual artists, with the aim of enhancing their chances of business success.

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Secrets of marketing and intellectual property

International Trade Centre
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Secrets of Intellectual Property

A guide for small and medium-sized exporters

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Guide in form of questions and answers dealing with intellectual property (IP) issues, aimed at small and medium-sized exporters and trade support institutions – explains basic concepts and principles regarding patents, trademarks, industrial design, copyright, confidential business information, and geographical indications; covers questions relevant to ownership of rights by employees, contracting, licensing and technology transfer; highlights importance of IP issues when drawing business, marketing and export plans and strategies, and deals with IP rights protection abroad; looks at link between IP and quality regulations and standards, packaging and labelling, electronic commerce and use of information technology; considers valuation and financial aspects of IP rights; focuses on the application of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement); appendices include list of websites of national and regional industrial property offices, as well as list of websites of national copyright administrations.

Subject descriptors: **Intellectual Property, TRIPS, Export Marketing, Manuals**

English, French, Spanish (separate editions)

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This guide is not a substitute for legal advice.

The pace of change in the international business environment and intellectual property legislation and practices is rapid. It is recommended to check with national, regional and international intellectual property institutions on the current position. Should this not be possible, then ITC or WIPO, as appropriate, may be contacted by post, fax, phone or e-mail.

Views expressed in the guide are those of the contributors and do not necessarily reflect those of ITC or WIPO. The designations employed and the presentation of material do not imply the expression of any opinion whatsoever on the part of ITC and WIPO concerning the legal status of any country, territory, city or area, or of its authorities; the delimitation of the frontiers or boundaries of any country or territory; or the endorsement of any commercial firm or product.

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Foreword

In a globalizing business environment and an increasingly crowded marketplace, small and medium-sized enterprises (SMEs) need to find ways to differentiate their products in order to attract potential consumers. The introduction of new or improved products and the adoption of new ways of making, selling or marketing products and services are some of the strategies being used by SMEs to remain or become internationally competitive. As innovation, creativity and knowledge are becoming key elements of competitiveness, companies are increasingly faced with the need to find ways to manage their innovation, creativity and knowledge effectively.

The range of tools offered by the legal system of intellectual property (IP) rights provides the owners of IP rights a multiplicity of options to manage their innovation, knowledge and creativity. IP rights enable companies to differentiate their products from those of their competitors as well as to obtain a fair degree of exclusivity that helps to reduce the risks and uncertainties associated with the introduction of a new or improved product into the marketplace. In particular, the rights granted by the IP system enable owners of IP rights to have exclusivity over their trade secrets, trademarks, designs, inventions, and literary or artistic creations and thereby: (1) decrease the likelihood of copying or imitation by competitors; (2) increase the practical options for commercializing new or improved products; and (3) deal more effectively with any violations of their IP rights.

It is particularly crucial for exporting SMEs to take IP into consideration. In the current economic context, with lowered transaction costs for international trade as a result of improving access to modern information and communications technologies, many SMEs are increasingly gearing their operations towards export markets. In developing an export plan and strategy most SMEs face a number of challenges. They need to ensure that their export plan and strategy adequately take into account all factors that may affect their competitive edge in the target market(s). Any SME seeking to export, whether directly, through intermediaries, by establishing a joint venture, by licensing to third parties or through e-commerce, must ensure that it does not violate the IP rights of others, while trying to get the best out of its own IP assets. Thus, it must take steps to adequately protect its IP assets in all target markets at the appropriate time and in the most cost-effective manner as well as ensure that its products or services do not infringe on the IP rights of others. Neglecting to do so may result in avoidable costs and risks of doing business that can be very damaging for a company's entire export strategy, and sometimes may even prove to be fatal for the survival of the SME itself.

Nevertheless, worldwide, SMEs generally lack awareness of IP issues and their implications for product development, product design, service delivery, marketing, raising financial resources, exporting, licensing or franchising. A fundamental understanding of what constitutes IP, the means to protect it and ways of effectively managing IP assets is crucial for SMEs in general, and especially for those involved in international trade as the stakes are generally higher. Without this understanding SMEs will not be able to develop and integrate IP into their business, marketing and export strategies. Even SMEs that are aware of the need to do so, often do not have ready access to information and guidance on the subject of IP from a business perspective. In most countries, especially developing countries and countries in transition to a market economy, a vast majority of SME consultants and advisors, be they in the private sector or in SME support institutions, are also not sufficiently equipped to assist SMEs in relation to their IP needs and concerns.

It is in response to this gap that ITC and WIPO came together to prepare this guide on IP issues for the benefit of all SME policy-makers, SME support and finance institutions, SME training and teaching institutions, and above all, SMEs themselves, who are affected by lack of access to easy-to-understand material on IP when developing their business, marketing and export plans and strategies. Understanding and respect for IP, we believe, fosters an environment in which international trade can grow in a sustained manner by leveraging IP assets in multiple ways.

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International Trade Centre

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At WIPO, Philippe Baechtold, Head, Patent Law Section, Hans Georg Bartels, Head, PCT Relations with Offices Section I, Gregoire Bisson, Head, International Industrial Design Registrations and Special Projects Section; Jorgen Blomquist, Director, Copyright Law Division; Denis Croze, Head, International Law Development Section (Trademarks, Industrial Designs and Geographical Indications); Karen Lee Rata, Senior Counsellor, Special Counsel; Paivi Lahdesmaki, International Law Development Section (Trademarks, Industrial Designs and Geographical Indications); Wolfgang Starein, Director, Enforcement and Special Projects Division; Antonina Stoyanova, Counsellor, Trademarks, Industrial Designs and Geographical Indications Department; and Heike Wollgast, Associate Officer, Administrative Support Services and External Relations, reviewed the publication and provided valuable comments.

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At ITC, Alison Southby edited the book. Carmelita Endaya prepared it for printing and did final copyediting.

Contents

Note

ARIPO	African Regional Industrial Property Organization
ccTLDs	Country code top level domains
CE	European certification mark
CSA	Canadian Standards Association
EDC	Export development company
EU	European Union
gTLDs	Generic top level domains
ICANN	Internet Corporation for Assigned Names and Numbers
IEEE	Institute of Electrical and Electronics Engineers
IP	Intellectual property
ISO	International Organization for Standardization
ITC	International Trade Centre
LESI	Licensing Executives Society International
MFN	Most favoured nation
OAPI	African Intellectual Property Organization
PCT	Patent Cooperation Treaty
R&D	Research and development
RTA	Regional trade agreement
SM	Service mark
SME(s)	Small and medium-sized enterprise(s)
TBT	WTO Agreement on Technical Barriers to Trade
TLDs	Top level domains
TM	Trademark
TRIPS	WTO Agreement on Trade-Related Aspects of Intellectual Property Rights
UDRP	WIPO Uniform Administrative Dispute Resolution Policy
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Introductory issues

Intensely competitive business environment

In today's world, it is faster, easier and cheaper to transport people, products and information, and to share ideas or disseminate knowledge, than was ever the case in the past. Add to this the worldwide trend towards the deregulation of business and industry, and the liberalization of international trade, couple these developments further with the revolutionary changes being made to business models and methods, thanks to the possibilities created by the information and communication technologies sector, and what does it all add up to? An intensely competitive business environment, in both domestic and export markets. And this is equally true for goods and services alike.

In this environment, industry and business find the going tough, as the supply of goods and services seems to far exceed demand. Furthermore, consumers are finding it difficult to choose from a bewilderingly wide and growing range, posing the problem of excessive choice and inadequately differentiated goods and services. Certainly, entrepreneurship has always been a risky business. Only those businesses that can successfully manage and control risks and uncertainties can hope to survive and thrive in domestic and export markets. Understanding the needs and concerns of the customer has always been the basic pre-requisite. The next step is to find creative and innovative ways to produce a product or provide a service, and that too in a timely fashion and ahead of competitors. **In short, quality, price, and service remain the three critical factors in the success of any business endeavour, including any export marketing effort.**

Making the decision to export

The key to successful decision-making in exporting, as in any other business area, is knowledge. Relevant knowledge has to be based on reliable information and sound market assessment. Information gathering by undertaking market research becomes a key necessity. But even before embarking on this stage, ask yourself a few fundamental questions. As a potential exporter, have you examined the reasons for the success of your product or service in the domestic market? If you have been successful in marketing certain products or services in the domestic market, there is a good chance that they will also be successful in markets abroad, at least in those where consumer needs and conditions are similar.

Another approach to assessing your potential for exporting is to examine the unique or key features of the product or service in question. If these features are difficult for others in export markets to replicate, then it is likely that that your product or service will be successful abroad. A unique product or service should have, by definition, little or no competition, so the chances of strong demand for it are going to be high.

The unique or important features of your product or service may have been contributed by your own insight, creativity and inventiveness, or that of your employees, consultants, business partners and others. Such fruits of human ingenuity, inventiveness and creativity are protected in the marketplace by a legal system, known as the **system of intellectual property rights**. Intellectual property (IP) is a collective term used to describe new ideas, inventions, designs, writings, films, etc. that are protected by copyright, patents, trademarks, industrial designs, etc. Every country has a range of laws protecting IP, which a potential exporter should be aware of. The potential exporter would be well advised to seek specialist/expert advice in this respect from a qualified IP professional before exporting products or services based on such ideas, designs, technology, trade secrets or know-how. One of the most important considerations is that IP may be stolen if the appropriate steps have not been taken to protect it. On the other hand, if such steps have been taken, then it may even be possible to export just the IP itself, without an accompanying product. This is the case when you license to a company or companies registered overseas the right to manufacture or sell your products. By doing so, you may earn additional profit while retaining ownership over your inventions, innovative designs and trademarks.

In conducting in-depth market research in export markets, one of the most important elements is to understand the local rules, regulations and laws governing IP. IP law is complex. At minimum, before commencing, exporters need to make sure their products comply with the IP laws of the overseas market and/or do not infringe on IP rights owned by others.

There can be many good reasons for exporting in partnership with others. This approach would involve looking at the possibility of teaming up with other businesses in order to use their complimentary strengths or assets. This may result in either direct or indirect exports. There are various ways of teaming up with others – from strategic alliances, joint ventures, licensing, franchising and outsourcing, to wholly owned subsidiaries – all of which are likely to include the transfer of or licence to use one or more types of IP right.

These are just some of the reasons why an understanding of how the IP system works has become a key element in developing an export strategy. The following questions and answers will provide brief explanations and clarification of some of the most frequently encountered IP issues faced by exporters.

1. What is intellectual property? Why should I protect it?

Whenever a new product enters the market and is successful in attracting customers, it is very likely that competitors will sooner or later attempt to make similar or identical products. In some cases, competitors will benefit from economies of scale, greater market access, better connections with the main distributors or access to cheaper primary resources, and therefore be able to make a similar or identical product at a cheaper price, putting heavy pressure on the innovator of the original product or service. On occasion, this will drive the original innovator out of business, especially as it is likely to have invested significantly in developing the new product, while its competitors benefit from the result and get a free ride on the creativity and inventiveness of the innovator.

This is the single most important reason why small and medium-sized enterprises should consider protecting their innovative and creative work using the **IP system**, which provides **exclusive rights** over the use of inventions, designs, brands, literary and artistic works and other **intangible assets**. Protection under IP law provides ownership over a given innovation or creative work, thus effectively limiting the scope for copying and imitation by competitors.

Intangible assets

An enterprise's assets may be divided broadly into two categories: **physical assets** – including buildings, machinery, financial assets and infrastructure – and **intangible assets** – ranging from human capital and know-how to ideas, strategies, business plans, brands, designs and other intangible fruits of a company's creative and innovative talents. Traditionally, physical assets have been responsible for the bulk of the value of a company, and have been considered to be largely responsible for determining the competitiveness of an enterprise in the marketplace. In recent years, this has changed radically. Companies increasingly are realizing that intangible assets have become more valuable than their physical assets.

Nowadays, many of the leading enterprises in a number of sectors outsource most of the manufacturing to other firms and focus almost exclusively on creating new products and designs and promoting their brands (or trademarks) to attract customers. While the products are designed in-house, the manufacturing may be done elsewhere. For such enterprises, the value of their tangible assets may be extremely limited, but the value of their intangible assets (such as the reputation of their brand and/or their ownership of exclusive rights to key technologies or attractive designs), which are key to their success, is very high.

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Intellectual Property for Business. List of questions and answers on the basics of intellectual property available in Arabic, Chinese, English, French, Russian and Spanish on the WIPO SMEs website at www.wipo.int/sme. A hard copy may also be obtained from the SMEs Division of WIPO: 34 chemin des Colombettes, 1211 Geneva 20, Switzerland. Tel: +41 22 338 7035. Fax: +41 22 338 8760. E-mail: sme@wipo.int.

WIPO Intellectual Property Handbook: Policy, Law and Use. World Intellectual Property Organization. WIPO, 34 chemin des Colombettes, 1211 Geneva 20, Switzerland. Tel: +41 22 338 91 11. Fax: +41 22 338 88 10; E-mail: publicinf@wipo.int. Web page: www.wipo.int/ebookshop. Provides a broad introduction to the purpose, development and use of intellectual property systems, including patents.

Legal protection of intangible assets through ownership of **IP rights** provides exclusivity over the use of those assets in business, turning intangible assets into exclusive property rights, albeit for a limited period of time. Returning to the above-mentioned example, the company outsourcing the manufacturing of its products may continue to do so largely because the main selling points for its products are creative design, its proprietary technology and/or its trademark(s), all of which are its exclusive private property thanks to the effective use of the protection offered by the **IP system**. In short, IP protection makes intangible assets 'a bit more tangible' by turning them into exclusive assets.

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Why Intellectual Property Matters: The Importance of Intellectual Property for SMEs. Esteban Burrone, WIPO. Web page at www.wipo.int/sme/en/documents/pdf/ipmatters.pdf. Provides an overview of IP as it relates to business for SMEs, with a brief discussion on various IP provisions, online links, and further readings.

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Formulating an Intellectual Property Development Strategy for Enterprises. Peter Cordsen, WIPO. Paper presented at a WIPO seminar in May 1998. Web page at www.wipo.int/sme/en/activities/meetings/ip_han_98/ip_han98_7b.pdf. Focuses primarily on patents as a marketing tool, with reflections on costs and benefits.

2. What are the different ways of protecting my intellectual property?

Depending on the nature of your intangible assets, the law offers different legal instruments by which you may protect them.

- Innovative products and processes can be protected by **patents** and **utility models**;
- Creative designs, including textile designs, by protection of **industrial designs**;
- Brands, by **trademark protection**;
- Microchips, by protection of layout-designs or **topographies of integrated circuits**;
- Denominations for goods of a given quality or reputation attributable to the geographical origin, by protection of **geographical indication**;
- **Trade secrets**, by protection of undisclosed information of commercial value;
- Cultural, artistic and literary works including, in most countries, computer software and compilation of data, by **copyright and related rights**.

IP is generally sub-divided into two main branches: **(1) industrial property**, which covers the first six of the seven categories above; and **(2) copyright and related rights**, which covers the last category. It is important to become familiar with this terminology.

Each of the above means of protection of IP rights is discussed in more detail in the following sections.

One product, many IP rights

A single product may be protected by a variety of different IP rights. Consider a CD player, for example. The innovative technical features of the product are protected by a series of patents (originally owned by Phillips and Sony who co-invented the CD). The embedded computer program controlling the operations are protected by copyright. The aesthetic design of each specific CD player is usually protected as an industrial design, and the brand used to market it is generally protected as a trademark. In addition, the manufacturers probably hold a number of trade secrets ranging from their customer list to some of the manufacturing processes or to other confidential business information that they would not want to disclose to competitors. The inventors of innovative products such as a CD player, therefore, can obtain exclusivity to use, or prohibit others from using, each one of these elements through IP protection. In addition, the inventors of the CD chose to grant an authorization (or licence) to a number of other companies to use the CD technology in exchange for a payment, thus acquiring an additional income from the licence.

It may be noted also that the music played on a CD player is generally protected by copyright (unless protection has expired) and anyone wishing to perform the music in public, sell copies of the CD, broadcast it on the radio, translate the music into other languages or use its content in any other commercial way has to seek authorization from the musician/composer or, on his or her behalf, from a collective management organization that administers the rights of the musician or composer.

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WIPO Intellectual Property Handbook: Policy, Law and Use. World Intellectual Property Organization. WIPO, 34 chemin des Colombettes, 1211 Geneva 20, Switzerland. Tel: +41 22 338 91 11. Fax: +41 22 338 88 10; E-mail: publicinf@wipo.int. Web page: www.wipo.int/ebookshop. Provides a broad introduction to the purpose, development and use of intellectual property systems, including patents.

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The IPR-Helpdesk. Website at www.ipr-helpdesk.org. Information on intellectual property targeted to SMEs. Contains a series of guides of particular relevance to the European Union as well as helpdesk advice on intellectual property for companies.

Choosing the right protection

Given that products may be protected in various different ways using different IP rights, it is important for entrepreneurs to know the system and make an informed choice on how they intend to protect their rights in a cost-effective manner in order to avoid copying and imitation by competitors.

Entrepreneurs seeking to launch a new product should, therefore, consider what is likely to be the main selling point of their product. In other words, what is it about the product that is most likely to attract consumers? Or what is it that distinguishes it from products made by competitors? Is it an innovative technical feature? Is it the design of the product? Is it the brand? Is it the creative, artistic or literary elements contained in the product? The answer may provide the entrepreneur with an initial idea as to how to go about protecting the new product and thus obtain exclusivity for the most likely reason(s) for the product's success in the marketplace. Sometimes, one single aspect may dominate; at other times, it may be a combination of different aspects that induces the customer to make the critical decision to buy a particular product when there is a range of competing products on offer. Depending on the market realities, attention and resources may be devoted to one or another, or a combination of different types of IP rights for a particular product.

In addition, the IP rights system is evolving in a direction where the same parts of a product may be protected in different ways. For example, a new shape for a product may be kept as a trade secret till the launch of the product, functional features of the shape may be protected by patent(s), aesthetic features of the shape by design rights and/or copyright, and, if certain requirements are met, as a trademark. So, the final answer may not be obvious and it is often advisable to consult an IP expert to design a complete IP strategy for your product.

Whatever may be your final decision, it is always advisable to begin by protecting at least the trademark. Even if it may initially not have much value at the time of launching a new product, the success of the product will immediately raise the value of the trademark and become a crucial part of the product's image and identity. But by then it may be too late! (See question 4.)

3. Why should I consider intellectual property when taking the decision to export?

In developing an export plan and prior to embarking on an export operation, most enterprises go through some, if not all, of the following key steps:

- Identifying appropriate export markets;
- Estimating demand and market needs;
- Finding local partners and channels of distribution;
- Adapting the product, its design, its brand or its packaging to the new market;
- Negotiating and signing contractual agreements with export sales representatives, distributors, local partners, local manufacturers, licensees, etc.;
- Determining prices for different export markets;
- Budgeting export operations and raising funds;
- Making transport arrangements for exports;
- Advertising/marketing the product in the export markets;
- Participating in trade shows or other events abroad.

There are a number of reasons why an enterprise should also consider **IP issues** when planning its export strategy – not least, because IP plays an important and often crucial role in most of the steps outlined above. A few examples are provided below to illustrate the issue more clearly:

- The **pricing** of your product may be affected by the extent to which the brand or trademark is recognized and valued by consumers in the export market, and the extent to which your product will face competition from similar or identical products (which may be limited through IP protection).

- In **raising funds**, holding patents over the innovative technical aspects of your product is often useful for convincing investors, venture capitalists or banks of the commercial opportunities available to your product. (See question 75.)

- The **adaptation of the product, its design, its brand or its packaging for the export market(s)** will require creative and/or inventive work that may be protected through the IP system, thus guaranteeing a degree of exclusivity over the adaptations.

- The negotiation of **agreements with partners** will have to take into account issues relating to the ownership of IP rights, particularly if the product will be manufactured abroad or will be modified, packaged or distributed by overseas partners. (See question 48.)

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Intellectual Property for Exporters: Avoiding Common Pitfalls. Esteban Burrone. WIPO. Web page at www.wipo.int/sme/en/documents/pdf/ip_exports.pdf. Discusses IP-related mistakes commonly made by exporters.

SBA Guide to Exporting. United States Small Business Administration. Web page at www.sba.gov/OIT/info/Guide-To-Exporting/. Developed for small businesses exporting from the United States. Most of the material is also relevant for small businesses in the rest of the world.

- The **marketing** of your product will rely strongly on your company's brand image, embodied primarily in its trademark, which, if unprotected, would be impossible or significantly more difficult to enforce in case of copying or imitation by competitors.

- The timing of your **participation in fairs and exhibitions** may depend on whether you have already applied for protection for your inventions or designs, as early disclosure of your innovative work may result in loss of novelty and preclude you from applying for protection at a later stage (unless a 'grace period' is available in certain specified circumstances in the country concerned). (See question 30.)

- In addition, there may be **confidential business information** relating to most, if not all, of the items listed in the key steps above. Such information will benefit from trade secret protection or protection against unfair competition provided it is disclosed on a 'need to know' basis only, and only after a confidentiality or non-disclosure agreement has been signed. The export plan and strategy itself is a 'trade secret', and companies will generally have an interest in making sure it remains confidential and is not disclosed to competitors. (See question 37.)

Another important reason for taking IP issues into account is because doing so may enable an enterprise to **strengthen its position in export markets** and stop other companies from imitating or copying a work that is protected by copyright, by its functional features, its trademark or its design. If the product is successful abroad, it is likely that competing firms will sooner or later manufacture a similar or identical product that will compete with the product in question. Without IP protection, it may be difficult or impossible to stop imitators and the resultant loss of profit may be substantial.

A third reason to take IP issues into account is that IP protection may enable an enterprise to **access new markets through licensing, franchising, or establishing joint ventures or other contractual agreements with other companies.** IP rights enable firms to negotiate agreements with other firms for the production, marketing, distribution or delivery of goods and services in overseas markets. They may also provide your company with greater bargaining power when seeking to license technology from other firms that may be interested in your proprietary technologies, copyright works, designs, trademarks, etc.

Finally, failure to consider IP issues may result in large or fatal losses if your products are considered to be infringing upon the IP rights of others in the export market concerned. Even if an invention, design or trademark is not protected in your own country, this does not mean that someone else has not protected it in an export market. For instance, your product may have functional or aesthetic features that are not protected in your home country but are protected as IP rights by others in an export market. This may be true also for trademarks.

In addition, it is important to bear in mind that firms that have signed a licensing agreement with another company, thereby obtaining a licence to sell a given product in their domestic market, may not have the right to sell the product in export markets. The territorial exclusivity and scope of the licence are specified in licensing contracts and it is important to bear this issue in mind when negotiating a licensing agreement (see question 46).

4. What are the intellectual property mistakes most commonly made by exporters?

Exporters often realize the importance of protecting their IP only after it is too late, i.e. once they are faced with imitators or counterfeiters or once they are being accused of infringing the rights of others. When preparing the export plan and strategy, it is, therefore, important to understand the IP environment in the potential export market as much as it is to understand all other facets of the business environment in that market. Some of the most common mistakes made by exporters include:

- **Believing that IP protection is universal**. Many exporters believe that by applying for trademark, patent or industrial design protection in their own country they are automatically obtaining worldwide protection. However, IP rights are territorial rights, and IP offices grant protection only for the relevant national (or regional) jurisdiction. Only in the field of copyright is there broad and automatic protection in a large number of countries. To find out how to apply for IP protection abroad, see question 61.

- **Assuming that laws and procedures for the protection of IP rights are the same worldwide**. While there has been significant harmonization of laws and procedures for the protection of IP rights worldwide, there remain many areas in which there are significant differences between countries. One example is the United States of America, where patents are granted on a *first-to-invent* basis (i.e. an applicant may not be granted a patent if somebody else can prove that he or she had made the same invention at an earlier date) while most other countries grant patents on a *first-to-file* basis (i.e. the patent is granted to the first person to file an application for patent protection for a given invention).

- **Not checking whether a trademark is already registered or is being used by competitors in the export market**. Using a trademark in another country that is identical or similar to one that is registered or is already being used there by a different company could be considered to be an infringement on the other firm's trademark rights. Your firm may be asked to cease using such a trademark or asked to pay damages for infringement, which may be a huge blow to the entire marketing and export strategy of your enterprise. Doing a trademark search in the relevant export market is a crucial step prior to initiating your export operations, and preferably prior to selecting the trademark. (See question 24.)

- **Not using the regional or international protection systems.** Applying for IP protection in a number of national IP offices worldwide may be expensive. Regional and international protection systems, if available, are an effective way of applying for IP protection in various countries. (See questions 62–64.)

- **Applying too late for IP protection abroad.** For some IP rights, such as patents and industrial design rights, you should apply for protection in export countries within a specified period of time from the date of application to the domestic market. The period is generally referred to as the 'priority period', and is one year for patents and utility models and six months for trademarks and industrial designs. Failure to apply during the priority period can result in the inability to obtain protection in such countries, thus leaving room for other companies to freely copy your invention or design. (See question 60.)

REFERENCES

Intellectual Property for Exporters: Avoiding Common Pitfalls. Esteban Burrone. WIPO. Web page www.wipo.int/sme/en/documents/pdf/ip_exports.pdf. Discusses IP-related mistakes commonly made by exporters.

- **Disclosing information too early or without a confidentiality or non-disclosure agreement**. Disclosing information on your latest product innovation or new design to potential trade partners, export agents, distributors or anybody else before applying for protection or without a written contract requiring confidentiality could result in the loss of your rights over the invention or design. Your product innovation may, in fact, no longer be considered new or patentable. Someone else may apply for patent protection, thus excluding you from the use of your own invention. And the same goes for industrial designs.

- **Infringing the IP rights of others**. Exporting your products without checking whether the product is infringing on the IP rights of others in relevant overseas markets could prove a costly affair. For example, if you have licensed-in technology from other companies, you must ensure that you have a right to export the product incorporating such technology in order to avoid infringing on the rights of the rights-holder. If your products are thought to be infringing in such a way, they may be withheld at the border and their distribution impeded or stopped altogether, which may prove very costly or even fatal to your business.

- **Not defining issues of ownership of IP rights when outsourcing manufacturing**. Many companies outsource the creation, manufacturing or design of products to other firms, often abroad. But businesses often forget to protect their IP rights in such countries or to specify issues of ownership of designs, inventions, software, etc. in the contracts with the overseas manufacturing companies. The main danger is that misunderstandings about ownership of the IP rights may arise between the company outsourcing the work and the firm contracted to do the work. (See question 43.)

- **Seeking to license a product in a market where the relevant patent or design is not protected**. Rather than exporting a product directly, many firms grant licences to other companies in exchange for a one-time fee or a recurring royalty. A licensing contract often includes the sharing of technological know-how as well as the authorization to manufacture and/or sell a product developed by the licensor. It is important, wherever a licensing agreement is being negotiated, to make sure that the IP rights related to the product being licensed have been adequately protected in the country in question and that appropriate clauses have been included to clarify issues of ownership over such IP rights. (See question 46.)

- **Using a trademark that is inappropriate for the market in question**. There are numerous examples of companies starting to market their products or services in an overseas market, only to realize that their trademark is inappropriate for that particular market in that (a) the trademark has negative or undesirable connotations in the local language or local culture or (b) the trademark is unlikely to be registered at the national IP office on absolute grounds. (See question 19.)

In short, there are plenty of reasons for making sure that IP issues are taken into due consideration when developing your export plan, and that you take sufficient measures to ensure that (a) you are not caught off-guard infringing on the IP rights of others; and (b) you limit the opportunities for competitors to free-ride on your firm's inventiveness and creativity.

5. Once I have protected my intellectual property rights in my country, are they automatically protected abroad?

It is important to bear in mind that IP rights are '**territorial rights**', which means that they are usually protected only in the country (e.g. France) or region (e.g. member States of the African Intellectual Property Organization [OAPI]) where protection has been applied for and obtained. Thus, a company that has duly filed an application to protect its patents, trademarks or industrial designs in its domestic market, and has been granted such rights, may soon discover that such rights offer no protection in export markets, unless the same rights have been applied for and granted by the national (or regional) IP office of the export market in question. For information on how to protect your IP abroad see question 61.

Exceptions

There are some exceptions to this rule, which are worth briefly mentioning here. Firstly, in some countries (primarily those whose legal system is based on 'common law', such as Australia, India, the United Kingdom and the United States), **trademarks** may be protected through use. This means that once the trademark has been used within the territory of the country in question, it will benefit from some degree of protection even if it has not been registered. Nevertheless, even in countries where trademarks may be protected through use, it is generally highly advisable to apply for registration as this will provide much stronger protection and make it significantly easier and less burdensome to enforce. For more information on trademarks see question 18.

Secondly, rights that do not require compliance with official formalities for protection, such as **copyright and related rights**, do not require registration abroad for protection. In the case of copyright, an artistic or literary work (a category that also includes computer software products) is protected automatically once the work is created or, in some countries, once it is fixed in some material form. In terms of protection abroad, the works created by nationals or residents of a country that is party to the Berne Convention for the Protection of Literary and Artistic Works or is a Member of the World Trade Organization (WTO), will be automatically protected in all other countries that are party to the Berne Convention or are Members of the WTO. This currently includes over 150 countries. A list of members of the Berne Convention is provided in appendix VII. For more information on copyright and related rights, see question 31.

In all other cases, however, filing an application for the protection of IP rights is an important precondition for gaining protection in other countries. As is often the case with IP protection, taking measures early enough is crucial if you are to:

- Meet deadlines for the application for IP rights abroad (see question 60);
- Limit exposure to imitation or outright copying;
- Discover in time whether the product to be exported will infringe on the IP rights of other rights-holders in order to avoid facing expensive litigation or being unable to introduce the product into the desired market;
- Make it easier to negotiate licensing, franchising or other contractual agreements with other enterprises without fear of losing IP rights to others.

(Details of how to protect IP rights in other countries are provided in question 61.)

REFERENCES

The Collection of Laws for Electronic Access (CLEA). Website at http://clea.wipo.int/. A unique international electronic archive of intellectual property legislation. It provides easy access to multilateral treaties and to the intellectual property laws of a wide range of countries.

6. Do all countries protect intellectual property?

Virtually every country in the world has legislation protecting IP. Over the years, there has been significant harmonization of IP laws, and today, most countries have enacted laws that provide for the main forms of protection of IP (patents, trademarks, industrial designs, and copyright and related rights).

The two main pillars of the international IP system are the Paris and Berne Conventions, which were adopted in 1883 and 1886 respectively. A number of other treaties have been adopted subsequently to guarantee that the system stays in line with current trends and values. In 1995, with the entry into force of the agreements establishing the World Trade Organization, further harmonization was achieved as all members of the WTO (146 countries in November 2003) have ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights (commonly known as 'TRIPS') which establishes minimum standards for the protection of the main forms of IP rights.

In recent years, new technologies, such as the Internet or biotechnology, have continually posed new challenges to the system. While different countries meet the challenges in slightly different ways, increasing efforts are being made to ensure that the process of harmonization continues. For example, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, also known as the 'Internet treaties', which entered into force in March and May 2002 respectively, are treaties that lay down the legal groundwork to safeguard the interests of creators in cyberspace, enabling composers, artists, writers, performers and phonogram producers to use the Internet with confidence to create, distribute and control the use of their works within the digital environment.

Nevertheless, it is important to bear in mind that there remain significant differences in terms of how the IP system operates in different countries or regions, and it is highly advisable to check the relevant IP legislation or consult an IP lawyer to learn more about the details of the IP system in a country that is of interest to your company.

REFERENCES

International Treaties on Intellectual Property. Web page at www.wipo.int/treaties. An overview of the main international IP treaties administered by WIPO, with details on which countries are signatories to the treaties.

Intellectual Property: Protection and Enforcement. World Trade Organization. WTO, Centre William Rappard, Rue de Lausanne 154, CH-1211 Geneva 21, Switzerland. Tel: +41 22 739 51 11. Fax: +41 22 731 42 06. E-mail: enquiries@wto.org. Web page www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm. A simple introduction to intellectual property and the TRIPS Agreement.

The Collection of Laws for Electronic Access (CLEA). Website at http://clea.wipo.int/. A unique international electronic archive of intellectual property legislation. It provides easy access to multilateral treaties and to the intellectual property laws of a wide range of countries.

7. Where can I find information on intellectual property protection and related procedures in different countries?

The best place to start looking for information on the rules and procedures for the protection of IP in your country or in another country is at the office(s) in charge of IP protection in that country. **IP offices** are public sector bodies that generally come under the supervision of one of the government ministries (e.g. the Ministry for Trade and Industry).

While in some countries there is a single IP office covering all IP rights (e.g. the Intellectual Property Office of Singapore), in many others, there is one office for industrial property rights (patents, trademarks and industrial designs, etc.), generally referred to as an **industrial property office**, and a separate one for the administration of copyright and related rights. In a third group of countries, the granting of patents and the registration of trademarks is the responsibility of different offices. The contact details of all IP offices (including industrial property offices and copyright administrations) may be found at the following website: www.wipo.int/news/en/links/index.htm. In addition, appendix II of this guide contains a list of websites of industrial property and copyright administration offices for quick reference.

IP agents and **IP lawyers** may also be a useful source of information and advice on IP issues. IP agents and lawyers are private sector service providers who are qualified to either represent clients during the application process and/or defend clients in the courts in case of an IP dispute. Many countries require companies from overseas to hire a national IP agent in order to file a patent or trademark application.

Finally, you may consult the **national legislation** of a given country to obtain details on IP protection in that country. The WIPO website includes a collection of national IP laws that may be consulted freely online at: http://clea.wipo.int/.

REFERENCES

The Collection of Laws for Electronic Access (CLEA). Website at http://clea.wipo.int/. A unique international electronic archive of intellectual property legislation. It provides easy access to multilateral treaties and to the intellectual property laws of a wide range of countries.

WIPO. Web page at www.wipo.int/news/en/links. Contains a directory of intellectual property offices of different countries.

Patent basics

8. What is a patent?

A patent is an exclusive right granted for the protection of an **invention**. The patent provides its owner with the exclusive right to prevent others from commercially exploiting the invention for a limited period of time in return for disclosing the invention to the public. Thus, the holder of a patent (the patent-holder or patentee) can prevent others from making, using, offering for sale, selling or importing the patented invention without permission, and can sue anyone who exploits the patented invention without his or her permission.

The theory behind the system is that the financial reward flowing from the exploitation of the patent and the disclosure of the resulting inventions for public dissemination and use, would encourage innovation and raise the technical level of a nation's industry, with the obvious benefits to its trade.

While it is certainly true that not all enterprises develop patentable inventions, it is also a misconception to believe that patents apply only to complex physical or chemical processes and products, or that they are useful only to large corporations. Patents may, in general, be obtained for any area of technology from paper clips to computers. There already exist thousands of patents for simple everyday products such as pens, glass bottles, textile fabrics, or bicycles.

To get a patent you need to **submit an application to the national or regional patent office**. In the application form you will be required to describe your invention and compare it with previous existing technologies in the same field. Application forms may generally be obtained from the patent office itself. For information on how to obtain patent protection in other countries, see question 62.

This exclusive right is given for a limited period of time, generally for **20 years** from the filing date as long as annual maintenance fees are paid by the patent-holder, and is valid only in the country where you have applied for protection.

Legal protection against any violation of patent rights (infringement) is not given automatically but only when the patent-holder asks for it. Hence, patent-holders need to monitor the business activities of others if they want to enforce their patent rights.

REFERENCES

WIPO Patent Portal. Web page at www.wipo.int/patent/en/. Contains links to other WIPO web pages on patents.

British Library. Web page at www.bl.uk/services/information/patents.html. Provides useful links on patents, searching databases, lists frequently asked questions on patents.

The Protection of Inventions: Patents and Other Titles of Protection. WIPO. 1997. Web page at www.wipo.int/sme/en/activities/meetings/pdf/ip_add97_2.pdf. Contains an introduction to patents, reasons to protect patents, requirements and contents.

Intellectual Property and Biotechnology: A Training Handbook. APEC. 2001. Web page at www.apecipeg.org/library/resources/biotech.asp. Practical, patent-related information, also relevant to non-biotechnology firms.

9. How do I determine if my product is patentable?

To be patentable, your product should:

- Fall within patentable subject matter;
- Be an invention;
- Be novel;
- Involve an inventive step;
- Be capable of industrial application.

Patents are granted for **inventions**. What is an invention? Generally, in a number of countries, an 'invention' is described as a solution to a technical problem. The problem may be old or new, but the solution, in order to merit the name of invention, must be a new one. Merely finding something that already exists in nature, which we call a discovery, is not an invention. Human intervention must be added. Thus, a substance extracted from a plant existing in nature may be an invention. An invention is not necessarily a complex or a high-technology item. Even a paper clip or a toothpick can be an invention if it solves an existing technical problem.

Although it is true that certain inventions come only as a result of long-term research and development (R&D) or huge investment, you can easily find examples of simple but great inventions of the past in many aspects of daily life.

An invention must, in general, fulfil the following conditions to be protected by a patent. It must fall within **patentable subject matter**. It must be **novel**, that is, include some **new characteristic** which is not known in the **body of existing knowledge** in its technical field. This body of existing knowledge is called '**prior art**'. The invention must involve an **inventive step** which could not be obviously deduced by a person with average knowledge of the technical field. Finally, its subject matter must be capable of **industrial application**.

Novelty

An invention is new (or, in patent law terminology), 'novelty exists', if there is any difference between the invention and current knowledge or the 'prior art'.

What can be included in the 'prior art' differs from country to country. In many European countries, any invention described by a printed publication available anywhere in the world, or known or used anywhere in the world, constitutes prior art and thus can destroy the novelty of your invention. Therefore, publishing a description of your invention prior to its patenting can technically render your invention non-novel, and render it unpatentable.

In some other countries, uses abroad will not be included in the prior art on the grounds that they are difficult to prove. In addition, some countries (such as the United States) provide a grace period of up to 12 months from the moment an invention is disclosed by the inventor, during which the inventor may file an application for patent protection without the invention losing novelty.

REFERENCES

When is Something Prior Art Against a Patent? Arnoud Engelfriet. 2002. Web page at www.iusmentis.com/patents/priorart/. Provides an easy-to-understand explanation of what constitutes prior art.

Intellectual Property and Biotechnology: A Training Handbook. APEC. 2001. Web page at www.apecipeg.org/library/resources/biotech.asp. Practical, patent-related information, also relevant to non-biotechnology firms.

Inventive step (non-obviousness)

An invention shall be considered as involving an 'inventive step' if, having regard to the state of a particular art, it is not obvious to a person skilled in that art; in other words, it must not be possible for an average expert to make the invention by mere routine work.

This is a subjective test that is difficult to explain and difficult to apply. There are significant numbers of cases where the examiner and the applicant, or the patent attorney, disagree on the inventiveness of a particular patent application, and where a decision has to be concluded in a court. It is not unsual for decisions by an examiner of a patent office to be reversed by a court decision or for a decision by a lower level court to be reversed by a higher level court.

Some examples of what may not be considered as inventive, as established by past court decisions, are: mere change of size; making portable; the reversal of parts; the change of materials; aggregation; or the mere substitution by an equivalent part or function. These are not considered to be inventive enough to merit a patent. However, they may qualify for protection as utility models. (See question 12.)

Industrial applicability

An invention must be capable of being made or used in some kind of industry. This means that the invention must take the practical form of an apparatus or device, a product such as some new material or substance, or an industrial process or method of operation.

Industry is meant, in its broadest sense, as anything distinct from a purely intellectual or aesthetic activity. An idea in itself cannot be patented, unless it is an invention that is considered to have an industrial applicability. The definition of 'industrial' includes agriculture.

Non-patentable subject matter

In addition, not all inventions are patentable. In order to be eligible for patent protection, an invention must fall within the scope of patentable subject matter. If you are interested in patent protection for your invention, you first need to consult the statutory definition of patentable subject matter in your national patent law because this differs from one country to another.

Depending on the patent law of each country, some of the following may not be patentable:

- Discoveries of materials or substances already existing in nature;
- Scientific theories or mathematical methods;
- Plants or animals (or the varieties thereof) other than microorganisms, or essentially biological processes for the production of plants or animals (or the varieties thereof), other than microbiological processes;
- Schemes, rules or methods, such as those for doing business, performing purely mental acts or playing games;
- Methods of treatment for humans or animals, or diagnostic methods practised on humans or animals (but not products for use in such methods);
- Any invention where prevention of its commercial exploitation is necessary to protect public order, good morals or public health.

10. Why should I patent my innovative products or processes?

Patenting your company's inventions may be extremely advantageous and can provide your business with the exclusive rights to use and exploit the invention for up to 20 years from the date of filing of the patent application. Furthermore, patent protection may also provide:

- **A strong market position**. Through these exclusive rights, you are able to prevent others from using your patented invention commercially, thereby reducing competition and establishing yourself in the market as the pre-eminent player.

- **Higher return on investment**. Having invested a considerable amount of money and time in developing the innovative product, you could, under the umbrella of these exclusive rights, then commercialize the invention, thus enabling you to obtain a higher return on investment.

- **Opportunity to sell or license the invention.** If you choose not to exploit the patent yourself, you have the option of either selling it or licensing the rights to commercialize it to another company. Choosing the latter involves using the patent to earn royalty revenue by licensing the patented invention to other firms that have the capacity to commercialize it. This may not only save you money, but also provide you with a stream of income from your invention, or the inventions of employees, without the need to invest in its commercialization.

- **Increased negotiating power.** If you are in the process of acquiring the rights to use the patents of another company, through a licensing contract, your own patent portfolio will enhance your bargaining power. That is to say, your patents may prove to be of considerable interest to the company with whom you are negotiating and you could enter into a cross-licensing arrangement in which, simply put, patent rights could be exchanged between your company and the other.

- **Positive image for your enterprise.** 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 new business partners and raising your company's market value.

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The Role of the IPR in the Promotion of Competitiveness and Development of Enterprises. Peter Cordsen. WIPO. 1998. Web page at www.wipo.int/sme/en/activities/meetings/ip_han_98/ip_han98_5b.pdf. Focuses on the business utility of patent information.

The Role of Intellectual Property Rights in the Promotion of Competitiveness and Development of Enterprises. Kari Sipila. WIPO. 1999. Web page at www.wipo.int/sme/en/activities/meetings/pdf/ipr_mct99_5a.pdf. Discusses the benefits of patenting.

Formulating and Intellectual Property Development Strategy for Enterprises. Marti Leesti. WIPO. 1998. Web page at www.wipo.int/sme/en/activities/meetings/ip_han_98/ip_han98_7c.pdf. Observations and recommendations on the development of an IP strategy.

Patent Strategies for Business. Stephen C. Glazier. Third edition. LBI Law & Business Institute. 2003. US$ 34.95. Available from www.amazon.com/. Deals with practical aspects of strategically managing IP.

Rembrandts in the Attic: Unlocking the Hidden Value of Patents. Kevin G. Rivette and David Kline. Harvard Business School Press. 1999. US$ 27.50. Harvard Business School Press, 60 Harvard Way, Boston, MA 02163, USA. Tel: +1 617 783 7500. Fax: +1 617 783 7555. E-mail: corpcustserv@hbsp.harvard.edu. Also available from www.amazon.com/. Offers advice on how to use intellectual property as both a corporate asset and a strategic business tool to enhance the success of an enterprise, with examples from well-known companies.

11. What happens if I do not patent my innovative products or processes?

Patenting may not always be the right solution for your business. It is advisable to weigh up the costs and the benefits of patent protection carefully, prior to initiating the process. You will therefore need to understand what might happen if your business decides not to patent a patentable invention:

Somebody else might patent it. In most countries (with the exception of the United States), where more than one person or enterprise has filed patent applications for the same invention, the first person or enterprise to apply will have the right to the patent. This may mean that, if you do not patent your inventions or the inventions of your employees at all, or if you file your application too late, somebody else – who may have developed the same or an equivalent invention later – might get a patent. The patent-holder will then be able to 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 enterprise 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 companies may take advantage of economies of scale to produce the product more cheaply and compete at a more favourable market price. This may considerably reduce your market share for that product. Even small competing companies can produce the same product and often sell it at a lower price, as they do not have to recoup research and development (R&D) costs you have invested.

Possibilities of licensing, selling or transferring technology will be severely hampered. Nobody is willing to pay for the right to use something that does not belong to anybody. Without IP protection, opportunities for licensing the technology to others in exchange for royalties are severely hampered. Moreover, wherever negotiations do take place for transferring a given technological development without IP protection over the technology in question, parties are wary of disclosing their inventions, fearing that the other side may 'run away with the invention'. Patent protection limits the risks of this happening as the patent-holder has a legal exclusivity over the use of the invention.

REFERENCES

World Intellectual Property Organization, Small and Medium-Sized Enterprises Division, 34 chemin des Colombettes, 1211 Geneva 20, Switzerland. Fax: +41 22 338 8760. E-mail: sme@wipo.int. Website: www.wipo.int/sme. Provides information on patents, their business use, and examples of companies making use of patents.

12. What is a utility model?

In some countries, inventions may be protected by utility models, which are also known as 'innovation patents', 'utility innovations' or 'short-term patents'.

The main differences between utility models and patents are:

- The requirements for acquiring a utility model are less stringent than for patents. While the 'novelty' requirement has always to be met, that of 'inventive step' or 'non-obviousness' may be much less or even absent altogether. In practice, protection for utility models is often sought for innovations of a rather incremental nature, which may not meet the patentability criteria.
- The term of protection for utility models is shorter than for patents, varying 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 for substance prior to registration. This means that the registration process is often significantly simpler and faster, taking six months on average.
- Utility models are much cheaper to obtain and to maintain.
- In some countries, utility model protection may be obtained only in certain fields of technology, and only for products, not for processes.

Utility model registration is therefore a more suitable system than patenting if you require protection for a product with a short life-cycle, or you are particularly eager to avoid a long waiting time.

Some countries allow you to file both a patent application and a utility model application at the same time, so that you may reap the fruits of your invention sooner while waiting for the relatively longer process of patent grant. But if the patent is granted, you are generally required to select only one of the two types of rights covering your invention; i.e. you cannot hold utility model and patent registration at the same time for the same product.[1]

REFERENCES

Ladas & Parry. Web page at: www.ladas.com/Patents/PatentPractice/PettyPatents/PettyP_c.html. An introduction to utility models (petty patents), and their advantages and differences compared to patents.

Where can Utility Models be Acquired? WIPO. Web page at www.wipo.int/sme/en/ip_business/utility_models/where.htm. A list of countries that provide protection for utility models.

[1] See, for example, an introduction to the Australian Innovation Patent at: www.ipaustralia.gov.au/patents/what_innovation.shtml.

13. What are the administrative procedures for obtaining patent protection?

The first step in securing a patent is the filing of a **patent application**. Patent application forms can generally be obtained from the national patent office of each country. It is important that you do not disclose your invention prior to filing a patent application. Early disclosure affects your chances of obtaining a patent, because the invention will no longer be considered new.

How do I find out if my invention is new?

It is essential to conduct a thorough patent search prior to filing your application, as this will give you an indication of whether your invention is new, and therefore likely to be patentable. You can either carry out the search yourself or use the services of a professional patent agent to do the search for you. Many national patent offices around the world now have free online patent databases, which allow you to conduct your own search. (More on patent information and on the use of patent databases in question 17.)

Do I need a patent agent to apply for a patent?

Different countries have different rules on this. It is usually possible to apply for patent protection without using a patent agent, though it is advisable to hire an experienced professional to ensure that the drafting of the patent is done properly. However, most national regulations require persons who are not domiciled in the country to be represented by a patent agent who is resident in the country where protection is sought.

What procedures does the patent office go through prior to granting a patent?

Once an application has been received, the patent office normally takes a series of steps prior to granting the patent. There are three main areas of activity, namely:

- Formal examination;
- Substantive examination;
- Grant and publication.

At each of these stages, the normal procedure is for there to be dialogue, mainly in writing, between an examiner in the patent office and the applicant. The patent agent may act as a go-between, receiving communications from the patent office, advising the applicant as to the appropriate course of action, taking the applicant's instructions and responding accordingly to the patent office.

REFERENCES

A Guide to Filing A Utility Patent Application. United States Patent and Trademark Office. Web page at www.uspto.gov/web/offices/pac/utility/utility.htm. Basic information about filing a utility patent application.

Guidelines for Examination in the EPO. European Patent Office. Web page at www.european-patent-office.org/legal/gui_lines/e/c_iv.htm. Guidelines followed by the European Patent Office in the examination of patents.

Manual of Patent Practice. United Kingdom Patent Office. Web page at www.patent.gov.uk/patent/reference/mpp/. Detailed information on the manner, form and content of making a patent application in the United Kingdom.

Formal examination

This stage consists of checking all the formalities required, e.g. whether the application form has been properly filled in and contains all the relevant information. The applicant is given an opportunity to correct any defects identified during this examination; if such defects are not corrected within a specified period of time, the Patent Office rejects the application.

Substantive examination

The objective of the search is to determine the prior art in the specific field to which the invention relates. In conducting this substantive examination, the patent office checks its archives to ascertain whether any documents exist which describe a solution that is the same as, or similar to, that described in the application.

The aim of the examination as to substance is to ensure that the application satisfies certain conditions of patentability. In essence, this is to prevent the grant of a patent where:

- The invention is excluded from patent protection by specific provisions in the legislation;
- The invention is not new, does not involve an inventive step and/or is not industrially applicable; or
- The invention is not sufficiently disclosed in a clear and complete manner.

In the same way as with the formal examination, the applicant is given the opportunity to remove any objections raised during the substantive examination. Not all patent offices conduct a substantive examination of patent applications. In a number of countries, they grant patents on the basis of the formal examination. In such cases, the actual validity of the patent and whether it meets the requirements of patentability are verified by the courts only in case of dispute.

Grant and publication

If and when the examination process has reached a conclusion favourable to the applicant – that is to say all the necessary requirements as to form and substance have been fulfilled, and, assuming no opposition has been filed or any opposition has been unsuccessful, the patent office will grant a patent on the application. This involves certain actions on the part of the patent office:

- The details of the patent are entered into the patent register.
- A Certificate of Grant is issued to the applicant; this is the legal document establishing ownership of the patent.
- The patent office generally publishes the patent document itself. Many patent offices also publish the application 18 months after the filing date (or the priority date; see question 60 for definition).

Usually, in order to keep the patent in force each year and for the term of the patent, a prescribed renewal or maintenance fee has to be paid to the patent office.

14. What are the costs of patent protection?

Patent costs may be divided into four different types.

- The costs relating to the application fees and other prosecution fees paid to the national or regional patent offices. Such costs may vary widely from country to country (information on the fees may be obtained directly from the national IP offices) and are typically lower than the other costs referred to below.

- The costs relating to patent attorneys or agents who assist in drafting the patent application. While the use of a patent attorney or agent is usually optional (unless the applicant is not residing in the country and the law requires him or her to be represented by an attorney or agent authorized to practise in the country), it is generally advisable to seek legal advice when drafting a patent document.

- The costs of translation. Such costs are relevant only when seeking IP protection in countries whose official language is different from the language in which the application has been prepared. They may prove to be high, especially in cases involving highly technical patent applications.

- The maintenance fees. Such fees are usually paid at regular intervals (e.g. every year or once every five years) in order to maintain the application or keep the patent alive. In certain countries, protecting patents for the entire term of protection (in general, 20 years) may prove to be an expensive undertaking. The fact that annual maintenance fees usually increase the longer the protection is maintained must also be taken into account.

For SMEs willing to apply for patent protection in various countries, the service offered by the WIPO-administered PCT system may considerably reduce fees and simplify procedures. More information on the PCT in question 62.

REFERENCES

Costs – an Issue for Whom. John Orange. 2002. Lecture given at the WIPO Conference on the International Patent System, Geneva, Switzerland, 26 March 2002. Web page at www.invention-ifia.ch/Costs_orange.pdf. Discusses the costs of patenting and different options and strategies.

IP CostCalculator. Website at www.ip-calculation.com. Free online software tool for calculating the cost of IP protection, with information from over 160 countries. Also includes a database of IP experts worldwide.

15. How can the information obtained from patent databases be useful in business?

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

Patent information can be useful to SMEs for a number of reasons. Probably the most important is that patents are a unique source of technical information, which SMEs may find of great value in their strategic business planning. Most inventions are disclosed to the public for the first time when the patent (or, depending on the local law, the patent application) is published. Thus, patents are a valuable source of information about current research and innovations, often long before the innovative products appear on the market. The technical information contained in patent documents can provide the SME with key 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 of the latest technologies in your field of expertise;
- Find ready-made solutions to technical problems;
- Get ideas for further innovation.

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

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

And finally, the information contained in patent documents can also be used by SMEs to:

- Avoid possible infringement problems;
- Assess the patentability of your own inventions;
- Oppose the granting of patents where they conflict with your own patent.

REFERENCES

The EPO Guide to Patent Information on the Internet. European Patent Office. 2002. Web page at www.european-patent-office.org/espacenet/info/manual.htm. Explains how to use the Internet for patent-related activities and to find scientific and technical information relating to patents. Contains information about the Internet itself, and suggests a number of tips and tricks for searching on the Internet. Also includes lists of Internet addresses of scientific and technical interest, as well as sources relating to patent information.

General Information on the International Patent Classification System. WIPO. 2000. Web page at www.wipo.int/publications/patents/409/409e.pdf; also available in Spanish and French. Explains the classification system to facilitate searching and retrieval of patent documents.

Advantages of patents as a source of technical information

Patents offer advantages over other sources of information because they:

- Contain information that is often not divulged in any other form;
- Have a relatively standardized format that includes an abstract, bibliographic information, a description of the invention (and in most cases also drawings illustrating it), and full details of the applicant;
- Are classified according to technical fields;
- Provide examples of industrial applicability of an invention;
- Cover practically every field of technology.

International Patent Classification

The International Patent Classification (IPC) has been developed primarily as a system for classification, and later retrieval, of patent documents. The primary aim of the IPC is the establishment of an effective search tool. To this end it attempts to ensure that any technical subject with which an invention is immediately concerned can be classified, as far as possible, as a whole and not by separate classification of constituent parts. The IPC subdivides technology into 8 sections, 120 classes, 628 subclasses and almost 69,000 groups, which cover every field of technology. Currently 54 states are members of the IPC and a number of additional countries use the IPC or variants of it in classifying their patents.

More information on the IPC is available at: www.wipo.int/classifications/en/ipc.

REFERENCES

Patent Information and Documentation: Contents of a Patent Document. WIPO. 1999. Web page at www.wipo.int/sme/en/activities/meetings/pdf/ip_cm99_16.pdf. Provides information on the contents, classification, storage, and retrieval of patents documents.

Patent Searching – Tutorial and Guide to Online Resources and Information. McKinney Engineering Library, University of Texas. Web page at www.lib.utexas.edu/engin/patent-tutorial/index.htm. Hands-on, interactive patent-searching demonstration using the United States Patent and Trademark Office's website.

WIPO Patent Information Services (WPIS) for Developing Countries. Web page at www.wipo.int/innovation/en/wpis. Provides information on different types of searches, on WPIS and its services, and guidelines for submitting requests.

16. How do I read a patent document?

It is important to understand what a patent document looks like, not just for the purposes of filing patent applications but also in order to be able to find within a patent document the technical, legal and/or commercial information you are seeking. Patent documents are relatively similarly structured worldwide and, with only a few variations, are generally arranged as follows:

- **Front page**: acts as a summary page for the patent. It contains information on the date of filing, the priority date, the date the patent was granted (if the patent has been granted), an identification number for the patent, details of the inventor, the applicant and the patent agent (if applicable), technical and classification data, and an abstract of the patent with a drawing.

- **Description**: must describe in enough detail the invention so that someone skilled in the same art can reproduce the invention from the description and the drawings. In practice, there are occasions (e.g. gene sequences in the case of patents in the field of biotechnology) when there may be additional supporting material provided on disk, CD or by other means, which is kept separately from the actual patent document.

- **Claims**: indicate the scope of protection. They are generally considered the most important part of a patent. It is critical that the claims are well drafted, stating exactly the aspects of the invention that are new. The claims are normally numbered, with number 1 being the broadest claim and then 'dependent' claims referring back to earlier claims. The patent claim must be supported by the description and drawings.

- **Drawings**: illustrate technical details of the invention. There can be as many drawings as are considered necessary. Usually, the drawings contain reference numbers for the different parts or features, to which the description can refer.

- **Search report**: provided by the patent office, this contains a list of patents, books, journal articles, conference proceedings, and so on, which have some relationship to the invention in question. These can be of great interest, but are often neglected by those using patent documents to search for information.

REFERENCES

'How to Read a Patent Specification'. Vivien Irish. In *Engineering Management Journal,* April 2000. Web page at www.bl.uk/pdf/patspec.pdf. An easy-to-understand overview of a patent document.

Determining the Scope of a Patent. Arnoud Engelfreit. 2001. Web page at www.iusmentis.com/patents/claims/. An overview of the role of claims in determining the scope of patent protection. Discusses the different types of claims.

How to Read a Patent. CAMBIA Intellectual Property Resource.
Web page at www.cambiaip.org/Tutorials/Tutorial_1/tut_1.htm. An interactive tutorial on the various sections and contents of a patent.

WIPO Patent Information Services (WPIS) for Developing Countries.
Web page at http://www.wipo.int/innovation/en/wpis. Provides information on different types of searches, on WPIS and its services, and guidelines for submitting requests.

17. Where can I search patent information?

Patents being public documents, most IP offices worldwide offer facilities for the general public to consult patent databases. Some national and regional patent offices have also made their patent databases available online, generally free of charge. In addition, a number of private service providers offer sophisticated databases for a commercial fee. Patent agents are usually trained in searching patent documents and are often used by companies to obtain the information required.

Links to free online patent databases

Country/Organization	URL
Australia	www.ipaustralia.gov.au/services/S_srch.htm
Brazil	www.inpi.gov.br/pesq_patentes/patentes.htm
Canada	http://patents1.ic.gc.ca/intro-e.html
European Patent Office	www.european-patent-office.org/espacenet/info/access.htm
France	www.inpi.fr/brevet/html/rechbrev.htm
Germany	www.dpma.de/suche/suche.html
Hungary	www.hpo.hu/English/db/
Japan	www.ipdl.jpo.go.jp/homepg_e.ipdl
Korea	www.kipo.go.kr/ehtml/eLikIndex05.html
Latin America	www.oepm.es/bases-documentales/latipat_sp?ACTION=RETOUR
New Zealand	www.iponz.govt.nz/search/cad/dbssiten.main
Poland	www.arsinfo.pl/arspatent/a_info.html
Romania	http://193.230.133.4/cgi-bin/invsearch
Russian Federation	www.fips.ru/ensite/
Spain	www.oepm.es/bases-documentales/oepmpat_sp?ACTION=RETOUR
Thailand	www.ipic.moc.go.th/
Trilateral Database	www.uspto.gov/web/tws/sh.htm
United Kingdom	www.patent.gov.uk/patent/dbase/index.htm
United States of America	www.uspto.gov/patft/index.html

There are also a number of private companies that provide database search services for a fee. Derwent (www.derwent.com/) Dialog (www.dialog.com/), STN (www.stn-international.de/) and Questel Orbit (www.questel.orbit.com/index.htm) are some of the larger popular commercial vendors, with Derwent being the biggest. Also on the Internet there are some relative newcomers, big and small, such as Micropatent (www.micropatent.com/), WIPS Global (www.wipsglobal.com/) and many others.

REFERENCES

Popular commercial vendors, and fee-based providers of database search services.

Derwent. Website at www.derwent.com.
Dialog. Website at www.dialog.com.
STN. Website at www.stn-international.de.
Questel Orbit. Website at www.questel.orbit.com.
Micropatent. Website at www.micropatent.com.
WIPS Global. Website at www.wipsglobal.com.

Trademark basics

18. What is a trademark?[2]

A trademark is a distinctive sign which distinguishes the goods or services produced or provided by one enterprise from those of another.

In general, any distinctive **words, letters, numerals, drawings, colours, pictures, shapes, logotypes, labels, or combinations of the above** used to distinguish between the goods and services of different companies may be considered a trademark. In some countries, **advertising slogans** are considered to be trademarks and may be registered as such at national trademark offices. An increasing number of countries also allow for the registration of less traditional forms of trademark, such as three-dimensional signs (e.g. the Coca-Cola bottle or the Toblerone chocolate bar), audible signs (sounds, such as the roar of the lion that precedes films produced by MGM) or olfactory signs (smells, such as perfumes). But many countries have set limits as to what may be registered as a trademark, generally allowing only signs that are visually perceptible or can be represented graphically.

The main functions of a trademark are:

- To enable consumers to **identify a product** (whether a good or a service) of a particular company so as to **distinguish it from other identical or similar products** provided by competitors. Consumers who are satisfied with a given product are likely to buy or use the product again in the future. For this, they need to be able to distinguish easily between identical or similar products.
- To enable firms to differentiate their products from those of their competitors. Trademarks thus play a pivotal role in the **advertising and marketing strategies** of companies in defining the **image** and **reputation** of the company's products in the eyes of consumers.
- Also to provide an **incentive** to companies to **invest in maintaining or improving the quality of their products** in order to ensure that products bearing the trademark have a positive reputation.

Trademarks differ from trade names

Many people believe that if they register their business and its **trade name** at the business registry, this name will also be automatically protected as a trademark. This is a popular misconception. It is important to understand the difference between a trade name and a trademark.

A trade name is the full name of your business, such as 'Blackmark International Ltd'., and it **identifies your company**. It often ends with Ltd, Inc. or another similar abbreviation denoting the legal character of the company. **A trademark, however, is what distinguishes the product(s) of your company from those of other companies**. A company may have various trademarks. For instance, Blackmark International Ltd may sell one of its products as BLACKMARK but another as REDMARK. Companies may use a trademark to identify all their products, or a particular range of their products, or just one specific type of product that they produce. Some companies may also use their trade name, or part of it, as a trademark and should therefore consider registering it as a trademark.

REFERENCES

Making a Mark: An Introduction to Trademarks for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/making_a_mark.pdf. An easy-to-follow overview of trademarks, protection, and their types, use and enforcement, with illustrations and examples.

The IPR-Helpdesk. Website at www.ipr-helpdesk.org. Basic information and guides for download and numerous links to other portals on IP. Includes guide on trademarks, under the link Distinctive Signs, and covers what constitutes trademarks, their utility, protection, types, and registration.

Trademark World. Website at www.ipworldonline.com. Subscription required; US$ 892 per year. News and international developments in trademarks.

[2] The words 'trademark/s' and 'mark/s' are used interchangeably throughout this guide in referring to goods (where 'trademark/s' usually applies) or to services (where 'service mark/s' usually applies) as the case may be. See Qu… for a brief explanation of service marks.

19. What cannot be protected as a trademark?

When choosing the trademark(s) of your business, it may be helpful to have knowledge of the categories of signs that are usually not accepted for registration. Applications for trademark registration are usually rejected on what are commonly referred to as 'absolute grounds' in the following cases.

Generic terms. For example, if your company intends to register the trademark CHAIR to sell chairs, the mark would be rejected since 'chair' is the generic term for the product.

Descriptive terms. These are words that are usually used in trade to describe the product in question. For example, the mark SWEET is likely to be rejected for marketing chocolates as being descriptive. In fact, it would be considered to be unfair to give any single chocolate manufacturer exclusivity over the word 'sweet' for marketing its products. Similarly, qualitative or laudatory terms such as 'RAPID' 'BEST' 'CLASSIC' or 'INNOVATIVE' are likely to give rise to similar objections unless they are part of an otherwise distinctive mark. In such cases, it may be necessary to include a disclaimer clarifying that no exclusivity is sought for that particular part of the mark.

Deceptive trademarks. These are trademarks that are likely to deceive or mislead consumers as to the nature, quality or geographical origin of the product. For example, marketing margarine under a trademark featuring a cow would probably be rejected, as it would be considered misleading for consumers, who are likely to associate the mark with dairy products (i.e. butter).

Marks considered to be contrary to public order or morality. Words and illustrations that are considered to violate commonly accepted norms of morality and religion in the country where protection is being sought are generally not allowed to be registered as trademarks.

Flags, armorial bearings, official hallmarks and emblems of States and international organizations which have been communicated to the International Bureau of WIPO are usually excluded from registration.

Applications are rejected on 'relative grounds' when **the trademark is in conflict with prior trademark rights**. Having two identical (or very similar) trademarks for the same type of product could cause confusion among consumers. Some trademark offices check for conflict with existing marks (including unregistered well-known marks) as a regular part of the registration process, while many others do so only when the trademark is challenged by a third party after publication of the trademark. In either case, if the office considers your trademark to be identical or confusingly similar to one that already exists for identical or similar products, it will be rejected or cancelled. It would therefore be wise to avoid using trademarks that risk being considered confusingly similar to existing marks.

REFERENCES

The IPR-Helpdesk. Website at www.ipr-helpdesk.org. Basic information and guides for download and numerous links to other portals on IP. Includes guide on trademarks, under the link Distinctive Signs, and covers what constitutes trademarks, their utility, protection, types, and registration.

All about trademarks. Website at www.ggmark.com/whatis.html. Basic information on trademarks and numerous links to related sites and information.

Making a Mark: An Introduction to Trademarks for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/making_a_mark.pdf. An easy-to-follow overview of trademarks, protection, and their types, use and enforcement. Includes main reasons for rejection of applications for trademarks.

20. Why should I protect my trademark?

While most businesses realize the importance of using trademarks to differentiate their products from those of their competitors, not all realize the importance of protecting them by registration. Given the importance that a trademark may have in determining the success of a product in the marketplace, it is essential to ensure that it has adequate protection.

You can protect your trademark by registering it. Registering a trademark gives your company the **exclusive right to the use of the trademark.** This prevents others from marketing identical or similar products under the same mark or under a confusingly similar mark. You may license or franchise your protected trademark to other companies, thus providing an additional source of revenue for your company. On occasions, a protected trademark with a given reputation among consumers may also be used to obtain funding from financing institutions, such as banks or venture capitalists, who are increasingly aware of the importance of brands for business success

If you do not protect your trademark, other companies could (intentionally or unintentionally) use the same or a confusingly similar sign for their own products. Your competitors might adopt a similar or identical trademark and benefit from the reputation and relationship you have built with your customers and business partners. Use of your trademark by other companies can confuse your customers, and may also damage the reputation and image of your company, particularly if the rival product is of inferior quality.

Thus, trademark protection for your product:

- Ensures that consumers can distinguish between products;
- Enables companies to differentiate between their products;
- Gives you a marketing tool and the basis for building a brand image and reputation;
- Provides the opportunity for licensing and being a direct source of revenue through royalties;
- May be a critical component of franchising agreements;
- May be a valuable business asset;
- Encourages companies to invest in maintaining product quality in order not to deceive consumers.

In some countries (particularly countries that follow a 'common law' system, such as Australia, Canada, India, the United Kingdom and the United States) a trademark may also be protected through use. The main advantages of registration in such cases are:

- Registration provides proof of rights, which is particularly important in case of disputes with third parties.
- An application can be filed prior to using the mark, thus obtaining exclusive rights even before you have begun to commercialize your product.
- Registration makes it easier and cheaper to enforce your rights.
- The trademark is included on the register.
- The ® sign can be used next to the trademark.

REFERENCES

Making a Mark: An Introduction to Trademarks for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/making_a_mark.pdf. Provides some business reasons for protection of trademarks.

The IPR-Helpdesk. Website at www.ipr-helpdesk.org. Basic information and guides for download and numerous links to other portals on IP. Includes guide on trademarks, under the link Distinctive Signs, and covers why trademarks should be protected.

21. What are the different types of marks?

Trademarks

As defined in question 18, trademarks are distinctive signs used to distinguish the goods or services of one enterprise from those of others.

Service Mark

A service mark is very similar in nature to a trademark. Both are distinctive signs; trademarks distinguish the goods of one enterprise from those of others, while service marks distinguish the services of one enterprise from those of others. Services may be of any kind, such as financial, banking, travel, advertising or catering, to name a few. Service marks can be registered, renewed, cancelled, assigned and licensed under the same conditions as trademarks.

Collective Marks

A **collective mark** is generally owned by an association or cooperative which itself does not use the collective mark but whose members may use it to market their products. The collective body which owns the mark exclusively grants its members the right to use it if they comply with the requirements fixed in the regulations concerning the use of the collective mark (e.g. quality standards, geographical origin). A collective mark may be an effective way of jointly marketing the products of a group of enterprises that may individually find it more difficult to make their individual marks recognized by consumers and/or distributed by the main retailers. An example of a successful collective mark is the MELINDA mark used by 5,200 apple producers in the Italian region of the Valle di Non and Valle del Sole. Each producer has a right to use the MELINDA collective mark, which belongs to the Melinda Consortium, as long as their apples meet the requirements determined by the consortium.

Certification Marks

Certification marks are 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. In most countries, the main difference between collective marks and certification marks is that the former may be used only 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 that applies for registration be considered 'competent to certify' the products concerned. A famous example of a certification mark is the Woolmark, which can be used only on items that are proven to be made of 100% wool. For more on certification marks, see question 71.

REFERENCES

'The Value of Collective and Certification Marks for Small Players'. In *WIPO Magazine*, July–September 2002. Web page at www.wipo.int/sme/en/documents/wipo_magazine/09_2002.pdf. Describes the value, types and use of collective marks for SMEs, with two case studies from Peru.

'Certification Marks, Guarantees and Trust'. J. Belson. In *European Intellectual Property Review,* 2002. Sweet and Maxwell Ltd, 100 Avenue Road, London NW3 3PF, United Kingdom. Tel: (0171) 393 7000. Fax: (0171) 393 7030.

'Protection of Well-Known Marks'. Denis Croze. In *Journal of Intellectual Property Rights*, Volume 5, May 2000, pp. 131–51.

Well-known marks

These are marks that are considered to be well-known by the competent authorities of a given country.[3] 'Well-known marks' generally benefit from stronger protection. For example, they will be protected even if they are not registered (or have not even been used) in a given territory. In addition, while marks are generally protected against confusingly similar marks only if used for *identical or similar* products, well-known marks are often protected against confusingly similar marks used even for *unrelated* products, if certain conditions are met. The main purpose of this stronger protection is to prevent companies from free-riding on the reputation of a well-known mark and/or causing damage to its reputation and goodwill.

[3] In WIPO *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, the term 'competent authorities' is used to cover administrative, judicial or quasi-judicial authorities. The competent authority may be, *inter alia,* a court which deals with infringement cases, or an industrial property office during an examination or an opposition procedure.

22. What should I bear in mind when selecting or creating my trademark?

Selecting or creating an appropriate trademark is a critical step, because it is an important element in the marketing strategy of your business. So what is an appropriate trademark for your product(s)? It seems there are no hard and fast rules, but the following are recommended points to consider:

- The proposed trademark should meet the legal requirements so that it may be registered. (See question 19.)
- It is advisable to ensure that, if the trademark consists of one or more words, the word/s are **easy to read, write, spell and remember,** and suitable for advertising purposes in all types of media.
- The text should not have undesirable connotations either in your own language or in any of the languages of potential export markets.
- The trademark should not be identical or confusingly similar to existing trademarks and the corresponding domain name (Internet address) should be available for registration. (More on the relationship between domain names and trademarks in question 78.)

When selecting one or more words as your trademark you should also take into consideration the implications of selecting the following types of words:

- **Coined or 'fanciful' words.** These are invented words without any intrinsic or real meaning. Coined words have the advantage of being easy to protect, as they are more likely to be considered inherently distinctive. On the negative side, however, they may be more difficult to remember for consumers, requiring greater efforts in advertising the products. Typical examples are Kodak and Exxon.
- **Arbitrary marks**. These are words that have a meaning that bears no relation to the product they advertise. While these types of marks will be easy to protect, they may also require heavy advertising to create the association between the mark and the product in the minds of consumers. Typical examples would be Apple and Sun for computers.
- **Suggestive marks**. These are marks that hint at one or some of the attributes of the product. The appeal of suggestive marks is that they act as a form of advertising. A slight risk, however, is that some countries may consider a suggestive mark to be too descriptive of the product and reject its registration. One example of a suggestive mark would be Coppertone for sun cream.

Irrespective of the type of mark you choose, it is important to avoid imitating existing trademarks. A slightly altered competitor's trademark or a misspelt well-known or famous mark is unlikely to be registered.

REFERENCES

The IPR-Helpdesk. Website at www.ipr-helpdesk.org. Basic information and guides for download and numerous links to other portals on IP. Includes guide on trademarks, under the link Distinctive Signs, and covers the various types of trademarks.

23. How do I register my trademarks?

The applicant

As the first step, you have to send or hand in a duly completed trademark application form, and pay the required fees. The form will include:

- The contact details of your company;
- A graphic illustration of the mark (a specific format may be required);
- A description of the goods and services and/or class(es) for which your enterprise wishes to obtain trademark protection.

It should be noted that some trademark offices (e.g. United States and Canada) require either present proof of use or a declaration that your company intends to use the trademark for the purposes of your application. The relevant trademark office will give you more precise information concerning the application process.

The trademark office

The steps taken by the trademark office to register your trademark vary in certain details from country to country, but broadly follow the pattern described below.

Formal examination. The trademark office examines the application to make sure that it complies with administrative requirements or formalities, e.g. whether the application fee has been paid and the application form properly filled in.

Substantive examination. In some countries, the trademark office also examines the application to verify whether it complies with all the substantive requirements, e.g. whether the sign is not excluded from registration by the trademark law and whether the trademark is in conflict with prior marks in the relevant class(es).

Publication and opposition. In many countries, the trademark is published in an official journal, to allow a set period of time for third parties to oppose its registration. In a few other countries, the trademark is published only once it has been registered, but with a subsequent period allowing for petitions to be able to revoke the registration.

Registration. Once it has been decided that there are no grounds for refusal, the trademark is finally registered, and a registration certificate is issued, which is generally valid for 10 years.

Renewal. The mark may be renewed indefinitely by paying the required renewal fees, but the registration may be cancelled entirely or for certain goods or services if the trademark has not been used for a certain period of time as specified by the relevant trademark law.

REFERENCES

Guidelines for Trademark Examination. International Trademark Association. 1998. Web page at www.inta.org/downloads/tap_tmexam1998.pdf. Guidelines for trademark registration offices on the criteria for evaluating trademarks.

Official Trademark Fees. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org.

The costs of protection

It is important to bear in mind, and to properly budget for, the costs related to the trademark registration process.

- There may be costs associated with the creation of the logo, or the word to be used as a trademark. Many companies outsource the creative work to consultants.
- There may be costs for conducting a trademark search (see question 24).
- There are costs associated with the registration process, which will vary depending on the number of countries and trademark classes (categories of products) for which protection is sought. Your national trademark office will be able to give you the detailed costs of registration in your country (see appendix II for a list of websites of industrial property offices).
- Companies choosing to use a professional trademark agent to assist them in the registration process might face additional costs but would probably save a significant amount of time and energy.

In general, any person who intends to use a trademark or to have it used by third parties can apply for registration. That person may be either a natural person or a legal entity.

24. How can I find out if my chosen trademark might conflict with other registered trademarks? What is a trademark search?

Before submitting an application for registering your trademark, you should ensure that a proper **trademark search** has been carried out. This is to make sure that the trademark you intend to use, or a similar one, is not already registered by another company for identical or similar products. It is advisable to conduct a trademark search not only in your own country but also, as far as is possible, in potential export countries, in order to avoid problems of infringement at a later stage.

A trademark search may be conducted directly by your company or you may hire the services of a trademark agent. Either of you can do the search through your national trademark office (which may be free or require payment of a fee) or through a commercially operated trademark database. Whatever the manner you choose, please bear in mind that any such trademark search is only preliminary. It may be difficult to ensure that your trademark of choice is not '*confusingly similar*' to existing validly registered trademarks. This is why the guidance of an experienced trademark agent, who is familiar with the practice of the trademark office and court decisions, may be extremely helpful.

However, before going to an agent, you may wish to check whether your national trademark office (or a commercial database company) has a free online trademark database that you can use to conduct a preliminary search of your own. A list of trademark databases is available on the WIPO website at (http://ecommerce.wipo.int/databases/trademark).

Trademarks are grouped into 'classes' according to the goods or services they serve to identify (see the explanation of the international classification system at www.wipo.int/classifications/en/nice/about). You may therefore begin by familiarizing yourself with the 45 different trademark classes.

Trademark classes

When filling in the trademark application form you are required, in most countries, to indicate the goods and/or services for which you wish to register your trademark, and to group them according to 'classes'. The classes are those referred to in the **trademark classification system**. The trademark classification system allows data on registered trademarks to be stored in an orderly manner according to the different types of goods or services. This greatly facilitates the retrieval of information. It is essential to register your trademark in all the classes in which you intend to use it.

The International Trademark Classification system (the 'Nice System' for classification of word marks) is the most widely used, with 34 classes for goods and a further 11 for services.

Example

How are products classified? Let us take an example. If your company is producing knives and forks, then your trademark application should be made for the corresponding goods in class 8. If, however, you wish to market other kitchen utensils (such as containers, pans or pots) using the same trademark you will also have to register the mark for the corresponding goods in class 21. In some countries you would have to make a separate application for each class of product, while in others you may cover a number of classes with a single application.

REFERENCES

International Classification of Goods and Services for the Purposes of the Registration of Marks under the Nice Agreement. WIPO. Web page at www.wipo.int/classifications/en/nice/about/index.html.

Vienna Agreement: Establishing an International Classification of the Figurative Elements of Marks. WIPO. Web page at www.wipo.int/treaties/classification/vienna/index.html.

Trademark Searches. International Trademark Association. Web page at www.inta.org/info/basics_searches.html. Information on why and how to conduct a trademark search.

Trademark Searching. Glenn A. Gundersen. Second Edition. International Trademark Association. US$ 79.95 (INTA members); US$ 105.95. International Trademark Association, 1133 Avenue of the Americas, New York, NY 10036, USA. Tel: +1 212 768 9887. Fax: +1 212 768 1234. E-mail: customerservice@inta.org. Web page: www.inta.org/pubs. An authoritative resource on trademark search.

25. What do I need to know about using a trademark?

Use requirement

A firm may apply for trademark registration prior to using the trademark in the market to commercialize its products or services, but some countries will not officially register the trademark until you have shown proof of use (e.g. the United States). Additionally, in most cases, the registration of a trademark that has not been used for a given period of time (usually three to five years following registration) will be cancelled. This is to try to guarantee that the registration is done with the intention of actually using the trademark in the marketplace, rather than simply for the purpose of obstructing its use by others.

Trademark symbols

Many companies use signs such as ®, TM, SM, MD (French, *marque deposeé*) or MR (Spanish, *marca registada*) or equivalent symbols next to their trademark in order to inform consumers and competitors that the word, logo or other sign is a trademark. While such symbols are not a requirement and generally provide no further legal protection for the trademark, it may be a convenient way of informing others that a given sign is a trademark, thus warning possible infringers and counterfeiters. The ® symbol, MD and MR are used once the trademark has been registered. TM denotes that a given sign is a trademark and SM is sometimes used for service marks.

Use in advertising

If your mark is registered as a logo with a specific design or typeface, make sure that, wherever it appears, it is represented in exactly the form in which it is registered. Monitor and supervise its use closely, as it is critical to the image of your company's products. It is also important to avoid using the trademark as a verb or noun in order that it does not come to be perceived by consumers as a generic term.

One trademark for many products

Depending on its branding strategy, a company may decide to use the same trademark for all its products, thus reinforcing the brand name every time a new product is released, or to use a different mark for each line of products.

Extending an existing brand name to a new product allows it to benefit from the existing image and reputation of the mark. However, where a distinctive image is required for the new product line, it may prove more advantageous to create another mark, or brand, specifically tailored to the new product itself and enabling the company to more easily target a particular customer group (e.g. children, teenagers). Many companies also choose the option of using a new mark in conjunction with an existing one.

Whatever your choice, according to your strategy, you should make sure that your trademark is registered for all categories of goods and/or services for which it is, or will be, used.

REFERENCES

International Trademark Association. Web page at www.inta.org/info/faqsU.html. Frequently asked questions on proper use of trademarks.

Industrial design basics

26. What is an industrial design? Why is it important to my business?

Many enterprises devote a significant amount of time and resources to enhancing the design of their products, in order to:

- **Customize products to particular customer groups**. Small modifications to the design of a product (e.g. a watch) may make it especially suitable for particular ages, cultures or social groups. While the main functions of the watch may remain the same, children and adults are likely to prefer very different designs.

- **Create a new 'niche' market**. In a competitive marketplace, a company may develop a niche market for itself by introducing a creative design for its product that differentiates it from that of its competitors. This can be equally the case for such ordinary items as locks, cups and saucers, as for potentially high priced items such as jewellery, computers or cars.

- **Strengthen brands.** Creative designs are often combined with distinctive trademarks to enhance a company's brand(s). Many companies have successfully redefined their brand image through strong focus on product design.

In everyday language, an 'industrial design' generally refers to a product's overall form and function. An armchair is said to have a 'good industrial design' when it is comfortable to sit in and we like the way it looks. Thus, for enterprises, designing a product generally implies developing the product's functional and aesthetic features while taking into consideration issues such as the product's marketability and the costs of manufacturing, or the ease of transport, storage, repair and disposal.

From an IP law perspective, however, an **industrial design refers only to the aesthetic aspects or outward appearance of a product**. In other words, it refers only to the appearance of an armchair. Although the design of a product may have technical or functional features, industrial design, as a category of IP law, refers only to the aesthetic nature of a finished product, and, therefore, is distinct from any technical or functional aspects.

Industrial design is applied to a wide variety of mass-produced as well as individually crafted products: from technical and medical instruments to watches, jewellery and other luxury items; from household products, toys, furniture and electrical appliances to cars and architectural structures; from textile designs to sports equipment. Industrial design is also applied to product packaging and containers.

As a general rule, an industrial design consists of the three-dimensional features, such as the **shape** of a product, the two-dimensional features such as **ornamentation**, **patterns** and **lines** or **colour**, or a combination of two or more of these.

REFERENCES

Looking Good: An Introduction to Industrial Designs for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/industrial_designs.pdf. Fundamentals of industrial design, and its importance for businesses.

Canadian Intellectual Property Office: Web page at http://strategis.ic.gc.ca/sc_mrksv/cipo/help/faq_id-e.html#1. An overview of what industrial design is. Contains frequently asked questions, from a Canadian perspective. Also covers information on other IP-related matters such as patents, trademarks, copyrights, and integrated circuit topographies.

Designs Guide. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org. Features information on what designs are, their value for a business, and why and how to protect designs.

27. Why should I protect my designs?

There are a number of reasons why it is important for businesses to protect their designs:

- The design of an article is often the factor that makes it **attractive** and **appealing** to customers, and visual appeal is a key consideration in the decision of the consumer to choose one product in preference to another. This is particularly true of categories where there is a wide range of products performing the same function, such as hairbrushes, knives and lamps, or also cars and computers. Given the commercial importance of design in the success of a product, protecting it from copying and imitation by competitors should be a key part of the business strategy of any designer or manufacturer.

- Smart industrial designs are **business assets** that can increase the commercial value of a company and its products. The more successful the design the higher its value to the company. As is the case with all the assets of a company, they should be adequately managed, monitored and protected.

- Industrial design plays a big role in the successful **marketing** of a wide variety of products, helping to define the image of a company's brand. Protection of an industrial design ensures exclusivity over its use and is a key element in a company's marketing strategy.

- A protected design may also provide an additional source of revenue for your company, through **licensing** out to others, for a fee, the rights to its use, or by **selling** the registered design right.

REFERENCES

Looking Good: An Introduction to Industrial Designs for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/industrial_designs.pdf. Fundamentals of industrial design, and its importance for businesses.

A Guide to Industrial Designs in Canada. Canadian Industrial Property Office. Web page at http://strategis.gc.ca/sc_mrksv/cipo/id/idguide-e.pdf. A brief overview of why industrial designs should be protected.

Designs Guide. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org. Features information on what designs are, their value for a business, and why and how to protect designs.

28. How do I protect my industrial designs?

In most countries, **an industrial design must be registered in order to be protected** under industrial design law. To register an industrial design you must file an application at the **national industrial property office** of the country where you are seeking protection.

When an industrial design is protected by registration, the owner is granted an **exclusive right against unauthorized copying or imitation** by third parties. This includes the right to exclude all others from **making, offering, importing, exporting or selling** any article in which the design is incorporated or to which it is applied. The laws and practices of the country or region determine the actual scope of protection of the registered design right.

Registration process

To register a design in your own country, normally you must go through the following steps:

- Fill in the application form obtainable at your **national industrial property office** (see appendix II for a list of websites of industrial property offices where you can register your designs). You will be requested also to provide **drawings and/or photographs of the design(s)** in question (standard formats are usually specified).

- In some countries, you may also be required to **file a written description or statement of novelty** of the industrial design(s). The description usually has to be of the design and not of the article to which it has been applied. It should be accurate and adequate in terms of its differentiation from any similar, earlier designs. It should cover all the distinctive aesthetic features of the design and should describe which features are the most important. In some countries, the examiner may ask for a physical sample of the design in order to be able to appreciate it better or feel its texture or material.

- **Pay the appropriate filing fee**.

- You may choose to employ an **industrial property agent** to assist you in filing the application and follow through the registration process. In that respect, you will also have to file a document certifying the powers of your representative.

Some offices register the design after undertaking an examination as to administrative formalities only. Others may check it against the existing designs on the register, for novelty and/or originality. More and more offices are accepting registration without checking for novelty and/or originality.

Once a design is registered, it is entered in the design register, published in the official design journal/gazette/bulletin and a **design registration certificate** is issued. In some countries/regions it may be possible to request **deferment of publication,** in which case the design will be kept secret for a certain period. Preventing publication for a period of time may be preferable for strategic business reasons.

REFERENCES

'The Unregistered Community Design'. Victor Sáez. In *European Intellectual Property Review*, Volume 24, December 2002, pp. 585–90. Sweet and Maxwell Ltd, 100 Avenue Road, London NW3 3PF, United Kingdom. Tel: (0171) 393 7000. Fax: (0171) 393 7030.

'A Survey of Industrial Design Protection in the European Union and the United States'. Katrine A. Levin and Monica B. Richman. In *European Intellectual Property Review*, 2003. Sweet and Maxwell Ltd, 100 Avenue Road, London NW3 3PF, United Kingdom. Tel: (0171) 393 7000. Fax: (0171) 393 7030.

The term of protection for a registered industrial design varies from country to country, but is usually **at least 10 years**, and often longer (for example, 14 years for design patents in the United States, and 25 years under the registered Community design right of the European Union). In some countries, right-holders are required to renew their design protection every few years.

Generally, the person who created the design or, if that person was working under contract, the person's employer can apply for registration. The applicant can be either a natural person (e.g. a designer) or a legal entity (a company). In either case, the application may be made directly or through an agent. If you are applying from overseas you may be required to have an agent duly authorized by the industrial property office of the country to which you are applying.

Non-registered designs

Special attention needs to be paid to the European Union, where recent legislation has made it possible to obtain limited industrial design protection for a **non-registered design**, for three years from the date on which the design has been made public in the European Union. For longer and stronger protection, full registration is required. The non-registered design protection is meant to provide companies with the opportunity to test market their products before going through the effort and expense of registering designs, many of which may not succeed in the marketplace. Also, some designs may be marketed for a very short time only, especially in the fashion industry, with no intention for them to be registered.

Protecting designs through copyright

While this section focuses mainly on registering industrial designs, it is important to point out that, in some countries, there may be alternative ways of protecting industrial designs. Depending on the particular national law and the kind of design, one such alternative is **copyright law**. Copyright generally provides exclusive rights for literary or artistic works. As some designs may, in some countries, be considered works of art or applied art, copyright protection may apply and may represent an attractive option for SMEs. See question 31.

Protecting designs as trademarks

Also, in some countries, if an industrial design functions as a trademark in the marketplace, then it may be protected as **a three-dimensional mark**. This could be the case when the shape of the product or its packaging is considered to have become a distinctive feature of the products made by a given enterprise. See question 82.

Unfair competition

In many countries, industrial designs are protected under laws on unfair competition. Thus, a design may be protected against acts of slavish copying and acts that may lead to confusion, acts of imitation, use of third party reputation, etc. However, protection under unfair competition is generally significantly weaker and infringement more difficult to prove.

REFERENCES

Frequently Asked Questions on the Community Design. Office for Harmonization in the Internal Market.
Web page at http://oami.eu.int/en/design/faq.htm. Questions and answers on various aspects of community design.

How to Apply to Register a Design. United Kingdom Patent Office.
Web page at www.patent.gov.uk/design/howtoapply/howtoapply2.pdf. Information on how to fill out the form and apply for registration of a design in the United Kingdom, with examples, and also some information on how to apply in other countries.

29. What can be registered as an industrial design?

As a general rule, to be registrable, a design must meet one or more of the following basic requirements, depending on the national law:

- The design is '**new**'. A design is considered to be new if no identical design has been made available to the public before the date of filing of the application for registration.
- The design is '**original**'. A design is considered original if it has been created by the designer independently and is not a copy or imitation of existing designs.
- The design has '**individual character**'. This requirement is met if the overall impression that a design makes on an informed user differs from the overall impression made on such a user by any earlier design (which has been made available to the public).

In the past, protectable design in manufactured products related to elements such as the shape of a shoe, the design of an earring or the ornamentation on a teapot. In today's **digital world**, however, the scope of protection is gradually expanding to cover more products and different types of design. These now include such elements as electronic desktop icons generated by computer code, typographic typefaces, or the graphic display on computer monitors, home appliances or mobile telephones.

What cannot be protected by industrial design rights?

Designs that are generally barred from registration in many countries include:

- Designs that do not meet the requirements of novelty, originality and/or individual character (as explained above).
- Designs that are considered to be dictated exclusively by the **technical function** of a product. Such technical or functional design features may be protected, depending on the facts of each case, by other IP rights (e.g. by patents or utility models, or they may be kept as trade secrets).
- Designs incorporating protected **official symbols or emblems** (such as the national flag).
- Designs that are considered to be **contrary to public order or morality**.

In addition, it is important to note that some countries exclude **handicrafts** from design protection, because industrial design law in these countries requires that the product to which an industrial design is applied is 'an article of manufacture' or that it is replicated by 'industrial means'.

Depending on the national legislation, there may be further restrictions on what can or cannot be registered as a design. It is advisable to consult an industrial property agent or the relevant national industrial property office.

Traditional designs

Traditional designs, and traditional cultural expressions (expressions of folklore) more generally, are often regarded as 'public domain' by IP laws and cannot be protected. However, contemporary adaptations and interpretations of traditional designs made by individuals can be sufficiently 'original' and 'new' for industrial design protection. Tradition-based designs have been registered in several countries. The IP protection of contemporary adaptations of traditional designs rewards forward-looking creativity and innovation.

REFERENCES

Canadian Intellectual Property Office. Web page at http://strategis.ic.gc.ca/sc_mrksv/cipo/id/id_gd_regis-e.html - section05. An overview of what may not be registered as an industrial design.

Looking Good: An Introduction to Industrial Designs for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/industrial_designs.pdf. Fundamentals of industrial design, including what and what may not be considered industrial design.

30. How important is it to keep the design confidential before registration?

If you wish to protect your industrial design under a registration system, keeping the design confidential is absolutely crucial. The reason for this is that the central requirement for design protection is that the design must be 'new'. If you show your creative design to others it is advisable to have written agreements clarifying that the design is confidential. A design that has already been disclosed to the public by, for example, advertising it in your company's catalogue or brochure may no longer be considered 'new'. It becomes part of the public domain and cannot be protected, unless the applicable law provides for a 'grace period'.

The 'grace period'

In some countries, the legislation allows for a grace period for registration of between six months and one year from the moment a design was made public, disclosed or published. This is the case when articles bearing the design are sold, displayed at a trade show, exhibition or fair, or the design is published in a catalogue, brochure, advertisement, etc. before an application is filed. During that period, you may market your design without it losing 'novelty' and you may still apply for registration. However, as this is not the case in all countries, and, in any case, is limited in time, it is advisable, as an overall principle, to keep the design confidential until you apply for design protection. In addition, you will have no exclusive design rights during the grace period. However, your design may be protected under copyright or unfair competition law, depending on the provisions of the relevant national legislations (see question 31).

Displaying your design at an exhibition or fair prior to protecting it

Under the design law of countries where there is no grace period, there is likely to be a special exception in the case of exhibitions and fairs that allows designers to place their design in an 'internationally certified exhibition' (thus making it public) up to six months prior to applying for design protection, without the design losing its 'novelty' or 'originality'. However, this may be a risky thing to do, because few exhibitions qualify as 'internationally certified exhibitions'. It is therefore advisable to file an application prior to exhibiting the designs in any exhibition or fair.

REFERENCES

Looking Good: An Introduction to Industrial Designs for Small and Medium-sized Enterprises. WIPO. Web page at www.wipo.int/sme/en/documents/guides/industrial_designs.pdf. Fundamentals of industrial design, including the importance of keeping industrial designs confidential.

General Information on Industrial Designs in Canada. Hofbauer Associates. 2002. Hofbauer Associates, 205N – 1455 Lakeshore Rd, Burlington, Ontario, Canada. Tel: +1 905 634 0040. Fax: +1 905 634 9119. E-mail: info@capatents.com. Document available at www.capatents.com/downloads/O31.pdf. Section 5 of the document discusses the importance of confidentiality before and during the registration of designs; confidentiality agreements; means by which confidentiality may be ensured.

Copyright basics

31. What is copyright? What types of works are protected by copyright?

Copyright is the body of law that grants authors, artists and other creators protection for their literary and artistic creations, which are generally referred to as 'works'. Works eligible for copyright protection are, as a rule, all original intellectual creations. They are protected irrespective of their quality and they include purely technical guides or engineering drawings. While copyright laws generally do not provide an exhaustive list of the types of works that are protected by copyright, practically all national laws provide for protection of the following:

- Literary works;
- Musical works;
- Works of art;
- Maps and technical drawings;
- Photographic works;
- Motion pictures;
- Computer programs;
- Multimedia products.

Thus, software developers, website creators, multimedia businesses, advertising agencies, radio stations, publishing houses and television channels are all creating or disseminating works protected by copyright on a regular basis, and should have a clear understanding of what type of protection is provided for the works in order to exploit them properly. Moreover, companies whose core business is not directly related to the creation or dissemination of works protected by copyright should have a good understanding of the copyright system because the company's website, its advertisements, brochures, instruction manuals and other material are generally protected by copyright. In addition, companies must take care when using works protected by others, such as computer software.

It is important to note that copyright law protects only the form of expression of ideas, not the ideas themselves. The creativity protected by copyright law is creativity in the choice of and arrangement of words, musical notes, colours, computer coding, etc. Thus, the underlying idea or story of two romantic novels may be very similar but the specific way in which that story evolves and the precise words used to describe it is what makes each novel original from a copyright law perspective.

REFERENCES

Guide on Copyright. IPR-Helpdesk. Document can be downloaded from http://www.ipr-helpdesk.org/. Covers what copyright is, what may and may not be considered copyright, rights granted, and other related issues.

Copyright and Internet Guide. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org. Deals with information on practical aspects of copyright as applied to the Internet, and the use of copyrighted works.

Your Software and How to Protect it: a guide for small business on how to protect the software you have developed. European Commission.
Document can be downloaded from ftp://ftp.cordis.lu/pub/innovation-smes/docs/brochure_ipr_software_protection_en.pdf.

A Practical Guide on Copyright Clearance for New Media Producers. Department of Canadian Heritage and the Interactive Producers Association of Canada. Web page at www.pch.gc.ca/progs/ac-ca/pubs/ic-ci/pubs/copymm_e.htm. A tool intended primarily for producers working in new media; also useful to anyone interested in the production and exploitation of new media products.

Ladas & Parry Guide to Statutory Protection for Computer Software in the United States. Ladas & Parry. Web page at www.ladas.com/Patents/Computer/Computer.USA.html. Includes copyright protection issues for computer software.

Information Sheets. Australian Copyright Council. Web page at www.copyright.org.au/page3.htm. The basics of copyright as applied in Australia.

32. What rights do companies involved in performing, broadcasting and producing music recordings have?

Over the last 50 years, a new field of rights related to copyright has developed rapidly. These so-called '**related rights**' have grown up around copyrighted works, and provide similar rights, although often more limited and of shorter duration, 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 programmes.

'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 that the three categories of related rights are auxiliaries in the process of intellectual creation and dissemination since they lend their assistance to authors in the communication of the latter's work 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 recordings on their stations.

If your business is based on any of these activities, or you are a regular user of such services, then you must understand that there are important IP rights which cannot be used without authorization of the right-holder. This invariably requires the payment of fees or remuneration for obtaining such permission.

As is the case with copyright, related rights are obtained without having to comply with any formalities such as registration, deposit or display of any notice, for example, on a phonogram.

Even so, it is advisable to place a notice on a phonogram with the following three elements:

- A circled capital letter P
- The name of the owner of the exclusive right; and
- The year of first publication of the phonogram.

REFERENCES

International Federation of the Phonographic Industry (IFPI). Website at www.ifpi.org. Useful resources, links, publications, news items and information on IP-related rights, infringement and enforcement in the recording industry.

Survey on National Protection of Audiovisual Performances. WIPO. 2003. Web page at www.wipo.int/documents/en/meetings/2003/avp_im/pdf/avp_im_03_2.pdf. Provides the main features of the protection of fixed audiovisual performances.

Protection of Broadcasting Organizations. WIPO. 2002.
Web page at www.wipo.int/documents/en/meetings/2002/sccr/pdf/sccr7_8.pdf. Technical background information on developments in the broadcast sector since the adoption of the Rome Convention in 1961; scope and activities of broadcasting organizations related to transmission of programmes; object and scope of protection of such organizations.

International Confederation of Societies of Authors and Composers (CISAC). Website at www.cisac.org. A knowledge base on intellectual property and on the business of collective administration of rights for CISAC members. CISAC regroups 199 authors' societies in 103 countries.

The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). WIPO. Web pages at www.wipo.int/publications/ecommerce/450/l450in-e.pdf and www.wipo.int/copyright/en/activities/wct_wppt/pdf/wct_wppt.pdf. Information on the provisions and status of these treaties.

33. How do I protect my works? What rights does copyright provide?

Unlike other IP rights where registration is required, copyright itself does not depend on official procedures. A created work is considered protected by copyright as soon as it exists. According to international conventions (in particular 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 those conventions. Thus, there is no international system for applying for copyright protection across a number of different countries.

However, many countries have a national copyright office and some national 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 respect to disputes relating to copyright.

Exclusive rights

The **original creators** of works protected by copyright have 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;
- Initial **distribution** to the public through sale and other transfer of ownership in tangible copies;
- **Rental** of copies to the public (for computer programs and phonograms, and also audiovisual works);
- **Public performance**, as in a play or musical work;
- **Recordings**, for example, in the form of compact discs, cassettes or videotapes;
- **Broadcasting**, by radio, cable or satellite;
- **Translation** into other languages, or **adaptation**, e.g. of 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 according to the actual use of the work and are then referred to as **royalties**.

REFERENCES

WIPO Portal on Copyright and Related Rights. WIPO. Web page at www.wipo.int/copyright/en/index.html. Information and links, including frequently asked questions on copyright.

Copyright Protection: Reaping the Benefits of Literary or Artistic Creativity. WIPO. 2003. Web page at www.wipo.int/sme/en/documents/wipo_magazine/01_2003.pdf. A brief background on copyright and copyright industries. Also discusses what businesses need to do to ensure that their use of protected works is in line with copyright law.

Copyright Basics. United States Copyright Office. Web page at www.copyright.gov/circs/circ1.html. An overview of copyright as applied in the United States. Covers what may be protected, scope and duration of protection, transfer of copyright, registration, procedures, etc.

These **economic rights** have a time limit of generally 50 years after the creator's death. National laws 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 – or '**pirated**' – goods related to protected works. The owner may obtain a court order to stop such activities, as well as seek damages for loss of financial rewards and recognition.

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Guide on Copyright. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org/. Covers what copyright is, what may and may not be considered copyright, rights granted, and other related issues.

Information Sheets. Australian Copyright Council. Web page at www.copyright.org.au/page3.htm. The basics of copyright as applied in Australia.

34. What is collective management of copyright and related rights?

There are many cases where, for practical reasons that relate to certain types of use, individual management of rights is virtually impossible. An author is not physically capable of monitoring all uses of his or her works. An author cannot, for instance, contact every single radio or television station to negotiate licences and remuneration. Conversely, it is not practical for a broadcasting organization to seek specific permission from every author each time it wishes to use a 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 of, and on behalf of, the owners of rights.

What are the most common types of right under collective management?

Collective management organizations most commonly take care of the following:

- 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 recording);
- The performing rights in dramatic works (theatre 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 upon 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 licences authorizing uses, collect and distribute royalties. The individual owner of rights does not become directly involved in any of these steps.

Rights clearance centres grant licences 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 centre (in the field of reprography, for instance, authors of written works such as books, magazines and periodicals). Here the centre acts as an agent for the owner of the rights, who remains directly involved in setting the terms of use of the works.

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

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Collective Management of Copyright and Related Rights. WIPO.
Web page at www.wipo.int/about-ip/en/collective_mngt.html. Contains links to information on copyright and collective management, its utility, and application in different fields.

International Confederation of Societies of Authors and Composers (CISAC). Website at www.cisac.org. A knowledge base on intellectual property and on the business of collective administration of rights for CISAC members. CISAC regroups 199 authors' societies in 103 countries.

35. How can I better understand the copyright system in my country?

If your company is directly involved in the 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, television or newspaper advertisements, or 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 its 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 in order to better understand the copyright system in your country.

Is there a copyright registry? As a general rule, copyright protection is automatic and does not depend on registration. In some countries, however, there is a copyright registry and registering your work in the registry 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 the economic rights over a copyright work are deemed to *vest initially* in the employer/producer, while in some others these 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, and, if necessary, include appropriate language clarifying the transfer of rights in your employment contract.

What are my rights? The exclusive rights accorded to authors and right-holders under national copyright legislation may vary from one country to another. However, exclusive rights usually encompass the right of reproduction (right to make copies), the right of public performance, the right of broadcasting and the right of adaptation. Furthermore, an increasing number of countries provide right-holders with rights in relation to the distribution of their works 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 enterprise to fully benefit from the protection of copyright and related rights.

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, your work protected by copyright will benefit from automatic protection in a large number of countries (over 150). If this is not the case, there may still be some reciprocal agreements between your country and some other countries that provide similar rights.

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Web Site Addresses of Copyright Offices. WIPO. Web page at www.wipo.int/news/en/links/cr_web.htm. Website addresses of national copyright administrations giving access to copyright laws in various countries.

Guide on Employees' Creations. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org, under the heading Copyright. An overview of the situation regarding intellectual property rights in various creations made by employees and how to transfer the rights to an employee, and to an employer, with a focus on EU directives.

A Guide to Digital Rights Management. Department of Communications, Information Technology and the Arts (DCITA) and the Australian Interactive Multimedia Industry Association (AIMIA). Web page www.dcita.gov.au/drm/index.html**.** Digital rights management, related legal issues and case studies, with practical tools and templates for reference.

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 licences 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, licence agreements need to be negotiated individually with the licensee. Expert advice may be useful for obtaining advantageous terms in the licensing contract. More on licensing copyright works in Qu….

How should I enforce my rights? The creator of a work has the right to allow or to prohibit the use of his or her 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. 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.

36. What issues must I consider as a user of works protected by copyright?

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 is almost certainly the case for radio stations, publishing houses, libraries, shops or nightclubs. For others, it may be simply an occasional tool used for enhancing corporate publications, websites and other marketing devices. For others still, the 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 licence? 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 licence. As a general rule, every commercial use or exploitation of these rights requires a licence 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. When it comes 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 licence agreement before you use or exploit the product. Remember that litigation over copyright infringement may be a very expensive affair, and it would be wise 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.

Products such as packaged software are often licensed to you upon purchase. The terms and conditions of the licence are often contained in the package, which can be returned if you do not agree with them.

Is there a collective management society? Collective management societies considerably simplify the process of obtaining licences for various works. Rather than dealing directly with each individual author or right-holder, 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 creation of 'one-stop-shops', bringing together various collective management societies that can easily and quickly deliver authorizations, is considered to be a particularly useful development for multimedia productions that require a wide variety of authorizations. Dealing with collective management societies, wherever possible, can 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 I freely use works published on the Internet? A common misconception 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, e.g. on the Internet. Generally, you should seek the authorization of the right-owner in each case, prior to use. Similarly, authorization is required if your enterprise is engaged in publishing or making copyright works, sound recordings, broadcasts or performances available through your Internet website.

REFERENCES

Guidelines for Creating a Policy for Copyright Compliance. Copyright Clearance Center Inc. Web page at www.copyright.com/PDFs/Guidelines.pdf. Guidelines to help define and implement a policy to ensure copyright compliance and avoid infringement at company or organizational level. Contains links to additional resources on copyright.

Trade secrets basics

37. What are trade secrets and what is unfair competition?

All businesses have trade secrets. Some are so acutely aware of their importance that they establish strict strategies to guarantee the protection of their trade secrets from any disclosure that may be prejudicial to the company. Many only become aware of them when competitors attempt to acquire their client lists, research results or marketing plans or to employ their employees with their valuable know-how. Only then does it become evident that they have something valuable to protect.

Broadly speaking, any **confidential business information** that provides an enterprise with a competitive edge may be considered to be a trade secret. The unauthorized use of such information by persons other than the holder is regarded as 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. While 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.

A trade secret generally has some cost associated with its development and is not common knowledge in the industry. Even negative information, such as research options that have been explored and found worthless, can be a trade secret. Below are listed are a few sample categories of what can be considered trade secrets:

- Manufacturing processes, techniques and know-how;
- Data compilations, e.g. lists of customers;
- Designs, drawings, blueprints, maps;
- Algorithms, processes that are implemented in computer programs and the computer programs themselves;
- Formulas for producing products;
- Business strategies, business plans, export plans, marketing plans;
- Financial information;
- Personnel records;
- Manuals;
- Ingredients;
- Information about research and development activities.

REFERENCES

The Trade Secrets Homepage. R. Mark Halligan. Web page at http://my.execpc.com/~mhallign/iindex.html. Readings and links to various trade secrets resources, including definition, evaluation, classification, and audit of trade secrets.

Trade Secrets are Gold Nuggets: Protect Them. WIPO. 2002.
Web page at www.wipo.int/sme/en/documents/wipo_magazine/04_2002.pdf. Emphasizes the importance of protecting trade secrets for businesses. Also discusses what constitutes trade secrets, with a few examples.

Trade secret protection

Unlike patents, trade secrets are protected without registration – that is, without any procedural formalities. Consequently, a trade secret can be protected for an unlimited period of time or as long as the information remains confidential. 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 Article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization:

- 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 clauses in employee contracts, non-disclosure agreements, etc.).

Among the notable examples of confidential business information protected as trade secrets are the formula for making Coca-Cola and the source code for Windows.

38. How do I develop a trade secret strategy for my business?

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 secrets effectively. These measures would include:

- Adopting an enterprise-wide information security and protection programme.
- Educating employees on the company's policies regarding disclosure of confidential information, with clear definitions and guidelines on how to access, manage, protect, distribute, label and/or eventually disclose any confidential information.
- Identifying and prioritizing business secrets on the basis of their value and sensitivity.
- Considering whether a trade secret may be protected by means of a formally registered IP right, such as a patent, and if so, whether it would not be better protected that way.
- Making sure that a limited number of people know or have access to any confidential information of value to the enterprise and that all those who do are well aware that it is confidential information.
- Including confidentiality agreements within employees' contracts. Under the law of many countries, employees owe confidentiality to their employer even without such agreements. The duty to maintain confidentiality over the employer's secrets generally remains, at least for a certain period of time, even after the employee has left that employment.
- Signing non-disclosure agreements with business partners whenever disclosing confidential information. See question 51.
- Establishing an effective security system for managing digital information on the company's internal network, with technical measures, software and encryption to restrict access to classified information, a system for monitoring communication and information disclosure, and a system for preventing or tracking access to confidential information.

REFERENCES

The Trade Secrets Audit. R. Mark Halligan, Web page at http://my.execpc.com/~mhallign/tradesec.html. A checklist for identifying potential trade secrets.

Trade Secrets: Policy Framework and Best Practices. WIPO. 2002.
Web page at www.wipo.int/sme/en/documents/wipo_magazine/05_2002.pdf. Focuses on the different means by which trade secrets may be protected.

How to Classify Trade Secrets. R. Mark Halligan. Web page at http://my.execpc.com/~mhallign/protect.html. Includes six factors to consider when classifying trade secrets in order to put an appropriate strategy for protection in place.

39. When is it advisable to protect information as a trade secret?

Essentially, there are two kinds of trade secrets. 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 with 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 – see question 12). 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.

The advantages of trade secrets include:

- Trade secret protection is not limited in time (patents last in general for up to 20 years). It may continue, therefore, 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, including the introduction of technological measures of protection).
- Trade secrets have immediate effect.
- Trade secret protection does not involve such formalities as the disclosure of the information to a government authority.

There are, however, some definite disadvantages with protecting confidential business information as a trade secret, especially when the information meets the criteria for patentability. For example:

- If the secret is embodied in an innovative product, others may be able to inspect it, dissect it and analyse it (i.e. 'reverse engineer' it), discover the secret and be entitled thereafter 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 the secret is made public, anyone may have access to it and use it at will.
- A trade secret is 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.
- Someone else, who has developed the relevant information by legitimate means, may patent a trade secret.

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Patents vs. Trade Secrets. Howard M. Eisenberg. 2000. Yale University Office of Cooperative Research. Web page at www.yale.edu/ocr/invent_guidelines/patent_vs_trade_secret.html. Compares trade secrets to patents, discussing advantages of each, with considerations on how to decide on seek ing protection among the two options.

Protecting the Trade Secrets of Your SME. WIPO.
Web page at www.wipo.int/sme/en/ip_business/trade_secrets/trade_secrets.htm. Protection of trade secrets, precautionary measures to be taken by SMEs, deciding between patents and trade secrets, cases in which SMEs may benefit from trade secret protection, with further links and readings.

Geographical indications basics

40. What are geographical indications and how can they be protected?

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.

'Champagne', 'Tequila', 'Darjeeling', 'Roquefort', 'Chianti', 'Pilsen', 'Porto', 'Sheffield' and 'Havana' are some examples of well-known names that are associated throughout the world with products of a certain nature and quality. One common feature of all these names is their geographical connotation; that is to say, their function of designating existing places, towns, regions or countries. However, when we hear these names, we think of products rather than the places they designate.

These examples show that geographical indications can acquire a high reputation and thus may be valuable commercial assets. For this very reason, they are often exposed to misappropriation, counterfeiting or forgery, and their protection – national as well as international – is highly desirable.

Can geographical indications be used only 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. A clear example of the latter is 'Switzerland' or 'Swiss', which is widely perceived as a geographical indication 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.

What is the difference between geographical indications and rules of origin?

'Rules of origin' are the criteria used to define where a product was made. They are an essential part of trade rules because a number of policies discriminate between exporting countries: quotas, preferential tariffs, anti-dumping actions, countervailing duty (charged to counter export subsidies), and more.

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Rules of origin. World Trade Organization. Web page at www.wto.org/english/tratop_e/roi_e/roi_e.htm. An introduction to, and technical information on, rules of origin, and explanation of the Rules of Origin Agreement.

Rules of origin are also used to compile trade statistics, and for 'made in ..'. labels that are attached to products. This is complicated by globalization and the way a product can be processed in several countries before it is ready for the market.

Geographical indications, on the other hand, are signs used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Only certain products that meet the above requirement and have been registered as geographical indications may bear such signs. Most commonly, a geographical indication consists of the name of the place of origin of the goods.

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. The owner of a trademark has the right to exclude others from using it. 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. All producers who make their products in the place designated by a geographical indication, and whose products share typical qualities, may use it.

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 they are buying a genuine product with specific qualities and characteristics, while they are getting, in fact, a worthless imitation. The latter suffer because valuable business is taken away from them and the established reputation of their products is damaged.

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 at 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 no 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 product, regardless of its place of production.

Integrated circuits basics

41. Can integrated circuits be protected under intellectual property protection? How?

Another field of protection of IP is that of layout-designs (topographies) of integrated circuits.

The layout-designs of integrated circuits are usually the result of an enormous investment, both in terms of the time of highly qualified experts and financially. There is a continuing need for the creation of new layout-designs that reduce the dimensions of existing integrated circuits and increase their functions simultaneously. The smaller an integrated circuit, the less the material needed for its manufacture, and the smaller the space needed to accommodate it. Integrated circuits are utilized in a large range of products, including articles of everyday use, such as watches, television sets, washing machines and automobiles, as well as sophisticated data-processing equipment.

Whereas the creation of a new layout-design for an integrated circuit can involve an important investment, the copying of such a layout-design may cost only a fraction of that investment. Copying may be done by photographing each layer of an integrated circuit and preparing masks for its production on the basis of the photographs obtained. The possibility for such copying is the main reason for the introduction of legislation to protect layout-designs.

According to the WTO TRIPS Agreement, the term of protection is at least 10 years from the date of filing an application or of the first commercial exploitation in the world, but Members may provide a term of protection of 15 years from the creation of the layout-design.

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Integrated Circuit Topographies. Canadian Intellectual Property Office.
Web page at http://strategis.ic.gc.ca/sc_mrksv/cipo/ict/ict_main-e.html. Information on integrated circuit topographies, definition and use, the Canadian system of protection, exceptions, registration, application and fees, with instructions on filling out the form.

Ownership of rights by employees

42. Who owns the intellectual property rights when an invention, design or creative work is developed by an employee?

Businesses often rely on employees and independent consultants to develop their intellectual property (IP) assets, and assume that they automatically own the rights on those assets, according to the principle 'I paid for it, therefore I own it'. This may be a software program, an article, a script, architect's plans and drawings, a new logo, a new product or process, product packaging, a new product design, a business plan, an invention, and the output of many other types of creative endeavours. Who owns the right to the work that employees create: the individual creator, or the company who employs them? The answer to this question is not always easy or clear; it may vary a lot from one country to another, and in a given country depending on the law and the facts and circumstances of a particular employer–employee relationship.

Ownership of functional improvements to a product (inventions/patents)

In many countries the employer owns an invention made by his or her employee if it is related to the employer's business, unless the employment contract stipulates otherwise. Conversely, in other countries, the IP rights to inventions belong in principle to the employee inventor, unless otherwise agreed. In some countries (e.g. the United States) the employee inventor may retain the right to exploit the invention, but the employer is often given a non-exclusive right to use the invention for its internal purposes (called 'shop rights'). Special rules may apply, however, to inventions made by university teachers or researchers as may be prescribed in the IP policy of the institution.

Some countries grant the employee inventor the right to a fair and reasonable remuneration or compensation for his or her invention if the employer takes rights to the invention. Other countries do not grant any specific remuneration for the employee, or only very limited remuneration or compensation, and only in exceptional cases.

Ownership of copyright

In most countries, if an employee produces a literary or artistic work within the scope of their employment, then the employer automatically owns the copyright in it, unless otherwise agreed. But it is not always so. Under the copyright law of some countries, there may not be an automatic transfer of rights, and there is complicated case law on the position.

There are several circumstances under which an employee may own all or part of the rights. For example, if the employer is a newspaper or magazine publisher, the employee will, in most countries, own the copyright for some purposes, including publication in books, while the employer will own the copyright for other purposes. In most countries, however, if an employee generates a software product in the course of employment, the employer will own the rights in the creative product, unless otherwise stated in the employment contract.

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Guide on Employees' Creations. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org, under the heading Copyright. An overview of the situation regarding intellectual property rights in various creations made by employees and how to transfer the rights to an employee, and to an employer, with a focus on EU directives.

Ownership of Intellectual Property Rights. Thomas Q. Henry. Web page at www.uspatent.com/ipoc.htm. An overview of ownership of IP rights in the United States.

It should be noted also that the *moral rights* (i.e. the right to claim authorship of a work, and the right to oppose changes to it that could harm the creator's reputation), are not assignable and will thus remain with the author even if the copyright ownership of the economic rights has been transferred to the employer. In some countries, however, (e.g. Canada, the United States) moral rights can be waived.

Ownership of industrial designs

Generally, where the employee is required under an employment relationship to create a design, the design rights belong to the employer. In some countries, however, the right of ownership to industrial designs created by employees during the course of an employment contract belongs to the employee, unless otherwise agreed. In some cases, the employer is required to pay to the employee an equitable remuneration, taking into account the economic value of the industrial design and any benefit derived by the employer from the utilization of the industrial design. In other countries (e.g. the United States) the creator of an industrial design is the proprietor unless compensation was paid for the industrial design.

43. Who owns the intellectual property rights when an invention, copyright work or design is outsourced?

Companies regularly engage advisers, consultants or independent contractors to create a wide variety of original or new material for them. This material can include business plans, marketing plans, training manuals, information manuals, technical guides, software, a website, designs, drawings, research reports, databases, a logo for an advertising campaign, and so on. Both sides, i.e. the company and the independent contractor, should take care when entering into such an agreement to adequately address the question of ownership of IP assets. For example, if the consultant or contractor presents a number of distinct designs or logos and the company accepts only one, then who owns the IP rights over the remaining options?

Inventions. In most countries, in principle, an independent contractor hired by a company to develop a new product or process owns any rights to the invention, unless specifically stated otherwise. This means that, in general, unless the contractor has a written agreement with the company assigning the invention to that company, the company will have no ownership rights in what is developed, even if it paid for the development.

Copyright. In most countries, a freelance creator owns the copyright, unless he or she has signed a written agreement transferring the rights. If, and only if, there is such a written agreement in place, will the company who commissioned the creator normally own the IP (again, the moral rights remain in principle with the author). In the absence of such an agreement, the person who paid for the work is generally entitled to use the work only for the purposes for which it was created. Companies who, for example, have paid an independent contractor to create a website for them, may be unpleasantly surprised to find that they do not own what has been commissioned. This means, for example, that they may not be able to modify its content or that anybody willing to reproduce content can do so by requesting authorization from the contractor.

Different rules or exceptions may apply, for example, to commissioned photographs, films and sound recordings.

Industrial designs. If a freelance designer is brought in, on commission, to produce a specific design then again, in many cases, the IP rights will not pass automatically to the commissioning party but will remain with the freelance designer. In some countries, the commissioning party owns the rights in a design only if compensation has been paid for that design.

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'Collaborative research: Conflicts on authorship, ownership and accountability'. Rochelle Cooper Dreyfuss. In *Vanderbilt Law Review*, 2000, vol. 53. Web page at http://law.vanderbilt.edu/lawreview/vol534/dreyfuss.pdf. Discusses ownership of IP issues in collaborative efforts, hired or sub-contracted work, and solutions.

Rights and Ownership Options in Technology Development Agreements. Howard G. Zaharoff. Web page at www.mbbp.com/article9.html. Discusses the three scenarios of ownership of IP creations among client and developer.

44. What steps can I take to avoid disputes regarding intellectual property ownership with employees or independent subcontractors?

A few golden rules to avoid disputes with employees or independent contractors are listed below:

- **Get legal advice.** Ownership matters are complicated and vary a lot from one country to another. As with most legal matters, it is essential to take skilled advice before entering into any agreement with employees or independent contractors.
- **Conclude a written agreement.** Agree on who owns the IP rights to any material created by an employee or independent contractor, whether and when transfer of ownership will take place, who has the right to exploit it, who is to pay for it, whether improvements or modifications are allowed, etc. Make sure that what you wish to agree to is valid under the applicable IP laws.
- **Have a contract before work is started.** Do not sweep IP ownership issues under the carpet; make sure that you deal with these at the beginning, before the collaboration itself begins. Even the earliest stages of work can give rise to important IP rights issues.
- **Include confidentiality clauses/agreements** in contracts with employees or independent contractors. Include non-compete clauses as well in contracts with employees, because today's employees may be tomorrow's competitors.
- **Adopt internal policies and regulations or guidelines on employee inventions.** Such policies and regulations under the policy should contain provisions on, *inter alia*, the categories of inventions which fall within the field of the employer's business, the employee inventor's obligation to notify the employer of inventions, the employer's procedures for handling notifications on inventions, confidentiality requirements and patent prosecution, and remuneration for the inventor. Such regulations should, of course, be in line with the applicable national IP laws.
- **Take special care when outsourcing research and development (R&D).** If other people besides the employees of the company participate in such activities, ensure that all involved sign an agreement in which they give the company sufficient rights to the results of their works. Companies should ensure that such people transfer any and all rights to the results of the R&D project to the company, including the right to re-transfer the rights and especially the right to alter the works if the R&D project produces works or other materials eligible for copyright protection. Apart from inventions, the R&D agreements should also contain provisions conferring the rights to know-how, copyright for the research reports and results, and rights over the physical material involved in research activities (such as micro-organisms or other biological material), as well as IP rights over any background information that is not within the public domain. All this should be kept strictly confidential.

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Guide on Employees' Creations. IPR-Helpdesk. Document can be downloaded from www.ipr-helpdesk.org, under the heading Copyright. An overview of the situation regarding intellectual property rights in various creations made by employees and how to transfer the rights to an employee, and to an employer, with a focus on EU directives.

'Collaborative research: Conflicts on authorship, ownership and accountability'. Rochelle Cooper Dreyfuss. In *Vanderbilt Law Review*, 2000, vol. 53. Web page at http://law.vanderbilt.edu/lawreview/vol534/dreyfuss.pdf. Discusses ownership of IP issues in collaborative efforts, hired or sub-contracted work, and solutions.

Contracting, licensing and technology transfer

45. What are the main contractual agreements for the transfer of technology?

A transfer of technology generally takes place through a legal relationship by which the owner of a patented technology or know-how sells or grants a licence to use the said technology or know-how, to another person or legal entity.

These legal relationships are essentially contractual in nature, which means that the transferor of the technology consents to transfer and the transferee consents to acquire the rights, the permission or the know-how in question. There are various methods and legal arrangements through which technology may be transferred or acquired, including the following:

The sale or assignment of IP rights

The first legal method is the sale by the owner of all their or its exclusive rights to a patented invention and the purchase of those rights by another person or legal entity. When all the exclusive rights to a patented invention are transferred, without any restriction in time or other condition, by the owner of the patented invention to another person or legal entity, it is said that an **assignment** of such rights has taken place. Similar principles and characteristics apply to the assignment of other objects of industrial property (e.g. trademarks and industrial designs).

Licensing

The second legal method is through a licence; that is, the permission given by the owner of a patented invention to another person or legal entity to perform, in the country and for the duration of the patent rights, one or more of the 'acts' which are covered by the exclusive rights to the patented invention in that country. When that permission is given, a 'licence' has been granted. It may be recalled that these 'acts' are the 'making or using of a product that includes the invention, the making of products by a process that includes the invention or the use of the process that includes the invention'.

Know-how contract

The third of the three principal legal methods of transfer and acquisition of technology concerns know-how. Know-how generally refers to the knowledge of how to do something; the expertise acquired in a given field. The know-how may be communicated in a tangible form by way of documents, photographs, blueprints and computer cards, among others. It may also be communicated in an intangible form. An example here might be the act of an engineer of the supplier of the know-how explaining a process to an engineer of the recipient.

It is possible to include provisions concerning know-how in a written document that is separate from a licence contract. It is also possible to include such provisions in a licence contract. Whenever provisions concerning know-how appear in a separate or distinct writing or document, that writing or document is normally called a 'know-how contract'.

REFERENCES

The Licensing Executives Society International (LESI). Website at www.lesi.org. Articles, newsletters, and resources related to transfer of technology or intellectual property rights – from technical know-how and patented inventions to software, copyright and trademarks.

Strategies for leveraging IP through licensing, joint ventures, alliances and franchising. Netpreneur Distinguished Author Series. 2001. Web page at www.netpreneur.org/advisors/ip/images/Strategies_for_IP.pdf. Discusses key trends in leveraging of IP, various strategies, their applicability for different objectives, commitments, resources, and key legal and regulatory issues.

Franchising

Commercial transfer of technology may also take place in connection with the system of franchising as it relates to the selling of goods and services. A franchise or distributorship is a business arrangement in which the reputation, technical information and expertise of one party are combined with the investment of another party for the purpose of selling goods or rendering services directly to the consumer. The outlet for the marketing of these goods or services is usually based on a trademark, service mark or a trade name, and a special décor ('look') or design of the premises. The licence of such a mark or name by its owner is normally combined with the supply by that owner of know-how in some form – technical information, technical services, technical assistance or management services concerning production, marketing, maintenance and administration. See question 50.

Sale and import of capital goods

The commercial transfer and acquisition of technology can take place with the sale, purchase and import of equipment and other capital goods. Examples of capital equipment are machinery and tools needed for the manufacture of products or the application of a process.

Joint venture agreements

A joint venture is a form of alliance between two separate companies. There are two fundamental forms of joint venture: the equity joint venture and the contractual joint venture. The equity joint venture is an arrangement in which a separate legal entity is created with the agreement of two or more parties. The contractual joint venture might be used where the establishment of a separate legal entity is not needed or where it is not possible to create such an entity. Licensing agreements, know-how contracts or other legal methods for the commercial transfer and acquisition of technology can be integrated into either form of joint venture arrangement.

The turn-key project

In certain instances, two or more of the business arrangements for the transfer of technology, and hence the legal methods that they reflect, can be combined in such a way as to entrust the planning, construction and operation of a factory to a single technology supplier, or to a very limited number of technology suppliers. Thus, the turn-key project may involve a comprehensive arrangement in which one party undertakes to hand over to his or her client – the technology recipient – an entire industrial plant that is capable of operating in accordance with agreed performance standards. More usually, the turn-key project involves the undertaking by one party to supply to the client the design for the industrial plant and the technical information on its operation.

Consultancy arrangements

Consultancy arrangements generally relate to the support, advice or other services provided by a consultant (whether an individual or a firm) while planning for the acquisition of a given technology, designing a new plant, preparing tenders for the construction of a new building, factory or equipment, seeking to improve an existing technology, or other activities for which expert advice with relevant know-how may be required.

46. What are the main elements of a licensing agreement? What are the main issues to bear in mind when negotiating a licensing agreement?

Below are the topics that are typically the subject of negotiations leading to the conclusion of the licence contract and that require special attention in drafting its provisions. These provisions are discussed from the point of view of the licensing of patents but they also apply to other forms of IP.

Identification of the parties

One of the first points of concern to negotiators of the licence contract will be the identification of the entities or persons that or who will become the parties or, in other words, will sign the licence contract and become legally bound to carry out its provisions. The objective in describing the parties to a licence contract is to identify each of them with sufficient certainty so that their identity will not later become a subject of controversy.

Subject matter

These provisions describe the product to be made, used or sold, or the process to be applied and from which a product will be obtained and in turn used or sold. They will also identify the invention or inventions included in that product or process, making reference to the relevant patent or patent application, describe the know-how, if any, that is to be supplied, and identify the technological advances of one party or the other, and the conditions under which those advances will be made available by that party to the other.

Limitations of the licence and anti-competitive practices

The licence can have several contractual limitations regarding permissible activities (to make, to sell, the fields of use, etc.), or restrictions to part of the claims on them, as well as territorial or quantity restriction or limitations on the sale prices. The licensing agreement will generally spell out which of the parties to the licence contract will be able, by virtue of its provisions, to perform what acts of exploitation, in what territory or territories, and with what effects on arrangements with third persons in relation to the licensor or the licensee.

A decision on each of these questions must be clearly reflected in the licence contract. However, any provision conflicting with the prohibition of anti-trust or anti-competitive practices is usually considered null or void.

REFERENCES

International Licensing – Structuring Deals Worldwide. Ladas & Parry.
Web page at www.ladas.com/IPProperty/Licensing/InternationalIPLicensing. Contains information on IP licensing, considerations when deciding to license IP, and main provisions of a licensing agreement.

Asian and Pacific Centre for Technology Transfer of Technology (APCTT). Website at www.apctt.org. The Asian and Pacific Centre for Technology Transfer of Technology (APCTT) is a leading organization in the field of technology transfer services for SMEs. APCTT Building, POBox 4575, Qutab Institutional Area, New Delhi 110 016, India. Tel: +91 11 2696 6509. Fax: +91 11 2685 6274. E-mail: infocentre@apctt.org.

Exploitation

Questions to be dealt with in terms of the exploitation of the product include the quality of the product itself, the volume of production, the making of part of the product by third persons to be authorized by the licensee, the import of the product to meet local demand in the absence of sufficient working in the country itself, and the use of the distribution channels of the licensor.

The licensee may also seek an assurance that the know-how supplied will be adequate to attain the objective agreed with the licensor. Such an assurance is referred to as a guarantee of know-how and is often included as a 'guarantee provision' in the licence agreement.

Settlement of disputes

Disputes and their resolution are issues that must be addressed in the contract. It can be difficult to identify in advance the problems that may cause a party grief during the term of a license agreement. It is not, however, so difficult to provide a way for disputes to be handled when they arise. Dispute resolution also involves two further aspects. The first is the law that should govern the agreement. This is a matter for negotiation, but it could be the law of the country of the licensor or the licensee or, often, the country where all or most of the agreement is being carried out. After all, this is probably the most likely place for a dispute. The second aspect is the appropriate method and forum to resolve the dispute. The parties can decide whether disputes should be resolved by the parties, perhaps with the assistance of a mediator, or by an arbitration, or by a judge. What is important is that these matters, as agreed, provide the best possible opportunity for disputes to be promptly and readily resolved. With respect to arbitration and mediation, a clause designating the WIPO Arbitration and Mediation Center as the forum for settling disputes may be added to a licence contract. More on alternative dispute resolution mechanisms, such as arbitration and mediation, in question 69. Also visit the website of the WIPO Arbitration and Mediation Center at http://arbiter.wipo.int/center.

Duration of the licence contract

The time-scale of a licensing contract – i.e. its commencement, duration and termination – must be stipulated in the contract. An IP right can be licensed for the maximum period of time during which it is in force (e.g. the maximum for patents is generally 20 years). Shorter licensing agreements may also be agreed upon and the parties may reserve the right to terminate the contract if specified circumstances occur.

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Innovation Relay Centre (IRC) Gateway. Website at http://irc.cordis.lu. A leading European network focusing on transnational technology transfer service for companies, especially SMEs.

Getting to Yes: Negotiating Agreement Without Giving In. Roger Fisher, William Ury and Bruce Patton. Second edition. Penguin. 1991. US$ 14.00. Penguin (USA), Penguin Group (USA) Inc., 405 Murray Hill Parkway, East Rutherford, NJ 07073, USA. Tel: +800 788 62 62 (within USA). Website: www.penguinputnam.com. Book on negotiation techniques.

47. What are the advantages and disadvantages of licensing?

A company that owns rights in a patent, know-how, or other IP assets, but cannot or does not want to be involved in the manufacturing of products, could benefit from the **licensing out** of such IP assets by relying on the better manufacturing capacity, wider distribution outlets, greater local knowledge and management expertise of another company (the licensee). In addition:

- Licensors with experience in the field of research and product development may find it more efficient to license out new products rather than take up production themselves.
- Licensing out may be used to gain access to new markets that are otherwise inaccessible. By granting the licensee the right to market and distribute the product, the licensor can penetrate markets it could not otherwise hope to serve.
- A licence agreement can also provide a means for the licensor to gain rights in improvements, know-how and related products that will be developed by the licensee during the term of the contract. However, this cannot always be demanded as a matter of right by the licensor and in some countries there are strong restrictions to the inclusion of clauses of this type in licensing agreements.
- An infringer or competitor can be turned into an ally or partner by settling an IP dispute out of court and agreeing to enter into a licence agreement.
- A licence may be essential if a product sells best only when it is incorporated in, or sold for use with, another product, or if a number of IP assets, for example, patents owned by different businesses, are required simultaneously for efficient manufacturing or servicing of a product.
- Last but not least, a licence agreement allows the licensor to retain ownership of the IP and at the same time to receive royalty income from it, in addition to the income from its own exploitation of it in products and services that it sells.

The risks of **licensing out** include the following:

- A licensee can become the licensor's competitor. The licensee may 'cannibalize' sales of the licensor, causing the latter to gain less from royalties than it loses from sales that go to its new competitor. The licensee may be more effective or get to the market faster than the licensor because it may have fewer development costs or may be more efficient.
- The licensee may suddenly ask for contributions, such as technical assistance, training of personnel, additional technical data, etc. All this may simply prove too expensive for the licensor. It is important that the licence agreement clearly defines the rights and responsibilities of the parties, so that any future disagreements can be quickly and efficiently resolved.
- The licensor depends on the skills, abilities and resources of the licensee as a source of revenue. This dependence is even greater in an exclusive licence where an ineffective licensee can mean no royalty revenue for the licensor. Contractual provisions for minimum royalties and other terms can guard against this, but it is still a concern.

REFERENCES

Negotiating Technology Licenses: A basic training manual. WIPO/ITC publication (forthcoming). Will be available from the WIPO electronic bookshop at www.wipo.int/ebookshop. Contains information on how various forms of remuneration may be combined in a given industrial property licence or technology transfer agreement.

The Basics of Licensing. Licensing Executives Society. 1995. Member price US$ 6.00; non-member price US$ 7.00. Available from www.lesi.org. Booklet providing a basic introduction to the licensing process including international licensing and a negotiating thesaurus.

Licensing: A Strategy for Profits. Edward P. White. Revised edition. Licensing Executives Society. 1996. Member price US$ 26.00; non-member price US$ 31.00. Available from www.lesi.org. Comprehensive information on buying and selling technology, patents, copyrights and trademarks in all fields. Contains a planning guide for best results based on the experience of others, how to organize your company to do licensing, case studies, extensive index and bibliography.

- A licence agreement can be disadvantageous when the product or technology is not clearly defined or is not complete. In such a case the licensor may be expected to continue development work at great expense to satisfy the licensee.

Advantages of licensing for the licensee

There are various ways in which a licence agreement can give the licensee the possibility of increasing revenues and profits, and of enlarging market share:

- There is often a rush to bring new products onto the market. A licence agreement that gives access to technologies which are already established or readily available can make it possible for an enterprise to reach the market faster.

- Small companies may not have the resources to conduct the research and development necessary to provide new or superior products. A licence agreement can give an enterprise access to technical advances that would otherwise be difficult for it to obtain.

- A licence can also be necessary for the maintenance and development of a market position that is already well established but is threatened by a new design or new production methods. The costs entailed in following events and trends can be daunting, and quick access to a new technology through a licence agreement may be the best way to overcome this problem.

- There may also be licensing-in opportunities which, when paired with the company's current technology portfolio, can create new products, services and market opportunities.

Disadvantages of licensing for the licensee

- The licensee may have made a financial commitment for a technology that is not 'ready' to be commercially exploited, or that must be modified to meet the licensee's business needs.

- An IP licence may add a layer of expense to a product that is not supported by the market for that product. It is fine to add new technology, but only if it comes at a cost that the market will bear in terms of the price that can be charged. Multiple technologies added to a product can result in a technology-rich product that is too expensive to bring to market.

- Licensing may create technology dependence on the supplier, who could choose to not renew a licence agreement, to negotiate licence agreements with competitors, to limit the markets in which you may use the licensed technology or to limit the acts of exploitation allowed under the licensing agreement.

The licensing of IP may run into problems for both licensor and licensee if government regulatory agencies consider it to be anti-competitive or collusive in nature. And of course licences are complex and, if all material terms are not carefully studied and reviewed by legal counsel, can be damaging. With advance preparation and legal advice, however, IP licences become an essential business tool that can benefit both parties.

REFERENCES

A Practical Guide to Licensing. Robert Auerbach. Foundation for Research, Science and Technology. 1998. Web page at www.frst.govt.nz/business/articles/Guide-licensing-Sep00.pdf. Focuses on negotiating licenses; also discusses the basics of licensing, advantages and disadvantages.

The Licensing Business Handbook Karen Raugust. Fourth Edition. EPM Communications. 2002. US$ 69.95. EPM Communications, Inc., 160 Mercer Street, 3rd Floor, New York, NY 10012, USA. Tel: +1 212 941 0099. Fax: +1 212 941 1622. E-mail: info@epmcom.com. Explains licensing for both experienced players and beginners, and how to use licensing to fulfil business objectives and extend product lines.

48. What are the advantages and disadvantages of participating in a joint venture with another company?

Joint ventures

Joint ventures can prove to be a useful and necessary way to enter new markets. In some markets that restrict inward investment, joint ventures may be the only way to achieve market access. Within joint ventures, clear equity positions are usually taken by the participants. Such holdings can vary in size significantly, although it is usually important to establish clear lines of management control over decisions in order to achieve success. A lesser form of participation, which may or may not involve equity participation, is that of strategic alliances. Joint ventures do tend to have a relatively high failure rate. Nonetheless, they also enjoy a number of specific advantages.

Advantages of joint ventures

- For the smaller organization with insufficient finance and/or specialist management skills, the joint venture can prove an effective method of obtaining the necessary resources to enter a new market. This can be especially true in attractive markets, where local contacts, access to distribution, and political requirements may make a joint venture the preferred or even legally required solution.
- Joint ventures can be used to reduce political friction and improve local/national acceptability of the company.
- Joint ventures may provide specialist knowledge of local markets, entry to required channels of distribution, and access to supplies of raw materials, government contracts and local production facilities.
- In a growing number of countries, joint ventures with host governments have become increasingly important. These may be formed directly with State-owned enterprises or directed toward national champions.
- There has been growth in the creation of temporary consortium companies and alliances, to undertake particular projects that are considered to be too large for individual companies to handle alone (e.g. major defence initiatives, civil engineering projects, new global technological ventures).
- Exchange controls may prevent a company from exporting capital and thus make the funding of new overseas subsidiaries difficult. The supply of know-how may therefore be used to enable a company to obtain an equity stake in a joint venture, where the local partner may have access to the required funds.

REFERENCES

Practical Guide to Joint Venturing. Robert Auerbach. Foundation for Research, Science and Technology. 1998. Web page at www.frst.govt.nz/business/articles/Guide-JntVenture-sep00.pdf. Discusses joint ventures, with tips and guidance on reducing misunderstandings and disputes with business partners.

International M&A, Joint Ventures and Beyond: Doing the Deal. David J. BenDaniel, Arthur H. Rosenbloom and James J. Hanks. Second edition. John Wiley & Sons. 2002. US$ 39.95. John Wiley & Sons, 10475 Crosspoint Blvd, Indianapolis, IN 46256, USA. Tel: +1 877 762 2974. Fax: +1 800 597 3299. E-mail: consumers@wiley.com. How to find, analyse, structure and negotiate international deals; includes case studies and checklists to help with decision-making.

Disadvantages of joint ventures

- A major problem is that joint ventures are very difficult to integrate into a global strategy that involves substantial cross-border trading. In such circumstances, there are almost inevitably problems concerning inward and outward transfer pricing and the sourcing of exports, in particular, in favour of wholly-owned subsidiaries in other countries.

- The trend toward an integrated system of global cash management, via a central treasury, may lead to conflict between partners when the corporate headquarters endeavours to impose limits or even guidelines on cash and working capital usage, foreign exchange management, and the amount and means of paying remittable profits.

- Another serious problem occurs when the objectives of the partners are, or become, incompatible. For example, the multinational enterprise may have a very different attitude to risk than its local partner, and may be prepared to accept short-term losses in order to build market share, to take on higher levels of debt, or to spend more on advertising. Similarly, the objectives of the participants may well change over time, especially when wholly owned subsidiary alternatives may occur for the multinational enterprise with access to the joint venture market.

- Problems occur with regard to management structures and staffing of joint ventures.

- Many joint ventures fail because of a conflict in tax interests between the partners.

49. How are industrial property rights paid for in licensing agreements?

The 'price' or the 'cost' of the acquisition of industrial property is dependent upon a number of factors, including the nature and duration of the industrial property rights, and the technology and relative bargaining power of the parties. The prospective transferor usually makes a careful assessment in terms of value or the need for the particular technology, the alternative technologies available, the prospect of technological advances and the likely production and profitability of the potential transferee. The prospective transferor also makes detailed projections of production and consequent income flow from other potential licensees or technology recipients.

The potential transferee assesses the total payments likely to be made for a particular technology and for advances in that technology against the profitability of the enterprise over a period of time. The transferee also evaluates such payments in relation to costs of alternative technology or payments made with respect to similar transactions. More on the valuation of industrial property rights in question 72.

Direct monetary compensation for industrial property rights or for technology may take different forms:

- **Lump-sum payment**: a pre-calculated amount to be paid once or in instalments.
- **Royalties**: post-calculated, recurring payments, the amounts of which are determined as a function of economic use or result (production units, service units, sales of the product, profits).
- **Fees**: compensation for services and assistance rendered by technical or professional experts, fixed at a specified amount or calculated per person and per period of service.

These forms of remuneration may be combined in a given industrial property licence or technology transfer agreement. In some instances, the lump-sum payment form may replace the system of royalties altogether, while in other instances the two might be combined; e.g. the licensee or technology recipient may elect to make a lump-sum payment in lieu of one form of royalty or another. In other instances, the licensee or technology recipient may be given the opportunity to elect to pay royalties on production units rather than on sales. The fees for technical services and assistance may be determined separately, either stipulated in advance or negotiated as rendered.

REFERENCES

Negotiating Technology Licenses: A basic training manual. WIPO/ITC publication (forthcoming). Will be available from the WIPO electronic bookshop at www.wipo.int/ebookshop. Contains information on how various forms of remuneration may be combined in a given industrial property licence or technology transfer agreement.

50. What is a franchise?

Franchising may be described as an arrangement in which one person (the franchiser), who has developed a system for conducting a particular business, allows another person (the franchisee) to use that system in accordance with the prescriptions of the franchiser, in exchange for compensation. The relationship is a continuing one, as the franchisee operates in accordance with standards and practices established and monitored by the franchiser and with the latter's continuing assistance and support.

Franchising therefore relates to a system, which the franchiser allows – or gives licence to – the franchisee to exploit. This may be referred to as the franchised system, or simply **the system**. The system is a package comprising IP rights relating to one or more marks, trade names, industrial designs, inventions and works protected by copyright, together with relevant know-how and trade secrets, to be exploited for the sale of goods or the provision of services to end users. In addition, the system includes various factors that contribute to the success of a business, including recipes and methods of preparing meals, the design of employees' uniforms, the design of the buildings, the design of packaging, and management and accounting systems.

The following features are typical characteristics of a franchise relationship:

- **A licence to use the system.** In return for an agreed payment, the franchisee is allowed to use the franchised system – in effect, given a licence to use the franchiser's system to carry out the business. Where the franchised system is to be exploited at a particular location, such as at a franchised restaurant or shop, that location is usually referred to as the 'franchised unit'.

- **An ongoing interactive relationship.** The relationship is ongoing, involving multiple sales of the franchised product (or offerings of the franchised services) over a period of time, with the franchiser giving continuous assistance to the franchisee in establishing, maintaining and promoting the franchised unit. This includes updating the relevant information as the franchiser develops new or better techniques for operating a franchised unit. The franchisee, for its part, has a continuing obligation to pay fees to the franchiser for the use of the franchised system or to compensate the franchiser for providing ongoing management services.

- **The franchiser's right to prescribe the manner of operating the business**. The franchisee agrees to abide by directives issued by the franchiser which set out the manner of operation of the system. Such directives may include quality control, protection of the system, territorial restrictions, operational details and a host of other regulations governing the conduct of the franchisee in relation to the franchise.

Licensing of a trademark is usually a main condition of the franchising agreement. In franchising agreements, the degree of control of the trademark owner over the franchisee is generally greater than is the case in standard trademark licensing agreements.

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An Introduction to Franchising. International Franchise Association (IFA) Educational Foundation. 2001. Web page at www.franchise.org/edufound/intro2franchising.pdf. Deals with the fundamentals of franchising, the terms used, alternatives, advantages and disadvantages, and the legal issues.

International Franchise Association. Website at www.franchise.org. Information, news, resources, and databases on franchises. Most resources are priced and available on membership.

World Franchise Council. Website at www.worldfranchisecouncil.org. Articles and an overview of franchising in a number of countries.

51. What is a non-disclosure agreement?

It is sometimes necessary for a business to share a secret with another company. A manufacturer may need to have specialized tests carried out on a prototype, and not want competitors to know details of the new product. An assembly company may wish to know if a supplier can meet a new, tough specification which will give a quick market advantage, but not want anyone else to use the same specification. In both of these examples the prototype and the new specification must pass out of the owner's hands, but the owner will of course wish to retain control.

The solution is to get the company to which the confidential information is to be disclosed to sign a confidentiality agreement, sometimes called a non-disclosure agreement (NDA). A **non-disclosure agreement** is a contract in which the signer agrees not to disclose certain information, except under terms as described in the contract. NDAs are often used by inventors or companies when sharing their business idea, their prototype of an innovative product or other confidential information, with third parties. This is often done in order to explore the possibilities of manufacturing, designing, or commercializing a given product in partnership with other companies, when negotiating licensing agreements or when seeking finance to develop a product or implement a business plan.

Non-disclosure agreements

An NDA begins by clearly stating the owner of the information (owner), the company receiving it (recipient), and the reason for handing over the confidential information – the permitted purpose. The definition of what the confidential information consists is followed by what are known as releases from confidentiality, i.e. a list of events which put the secret into the public domain, so that the recipient no longer needs to comply with the NDA conditions. But of course the recipient must not be the person that publishes the information in the first place.

NDAs also go on to set out how the recipient must look after the information, what the recipient is allowed to do with the information (use it only for the permitted purpose), and what the recipient is not allowed to do (e.g. tell anyone who does not need access to the information).

They generally specify how long the information must be kept secret – this can be set as the length of time the secret will give the owner a market advantage, plus a little bit of leeway. Two or five years are common periods.

Once the recipient has signed the NDA, the owner can pass over the confidential information with improved peace of mind.

REFERENCES

Diclosing Confidential Information, Vivien Irish. WIPO.
Web page at www.wipo.int/sme/en/documents/disclosing_inf.htm. Discusses what may be protected by non disclosure agreements (NDAs) and when to use NDAs, and includes a model NDA.

Intellectual Property Rights for Engineers. Vivien Irish. Institution of Electrical Engineers. 1994. US $39. Institution of Electrical Engineers, Michael Faraday House, Six Hills Way, Stevenage, Herts SG1 2AY, United Kingdom. Website: www.iee.org. Explains protection of engineering innovations, with examples. Also considers the ownership of rights, the methods of commercial exploitation, restrictions imposed by the European Community, techniques for managing intellectual property right effectively, and when to call in professional legal help.

When to use NDAs

Companies should not use NDAs too often. The best way to keep a secret will always be to not tell anyone. If a secret really must be shared, tell as little as necessary to achieve the commercial objective; sometimes a general outline is all that is needed, although for a technical appraisal the full detail of the know-how will need to be passed over for review.

Sometimes an NDA sets out a period of time during which information disclosed, say within a defined year, falls within the agreement. This is useful for complex technical deals, such as joint ventures, although a separate joint venture agreement will eventually be needed.

Also, chose the recipient very carefully – are you as sure as you can be that a promise of secrecy will really be kept?

One weakness of legal protection for secrets is that once they have been published in some way they cannot be 'made secret' again. Even if the owner of the secret goes to court and wins a payment for the damage suffered, this will not be as good as having the information kept confidential. Your competitors will be free to use your hard-won secrets. So the best practice is to make sure that the secret is kept in the first place.

Two-way NDAs

Sometimes the flow of information is two-way, with both parties disclosing confidential information to the other, such as when a joint venture is being set up between them. The NDA would then reflect this arrangement clearly specifying the confidential information that is being shared by each party.

REFERENCES

A Practical Guide to Non-disclosure Agreements. Robert Auerbach. Foundation for Research, Science and Technology. 2000. Web page at www.frst.govt.nz/business/articles/Guide-NonDisclosure-Jul00.pdf. Explains what NDAs are, their purpose, different types, practical applications, and treatment of confidential information.

52. What are the essential elements of trademark licences

Trademark licensing is of fairly recent origin in trademark history. Since the original function of a trademark was to indicate trade origin, goods emanating from a source other than the trademark owner could not, without deception, carry a licensor's mark. Indeed, the granting of a trademark licence rendered a licensor vulnerable to the claim of non-user and to the expungement (cancellation) of the mark. The exercise of quality control by a licensor over the products sold by a licensee to which the mark was affixed, opened the door to the idea that such control was a way for the user to avoid expungement of the mark. This fictional idea formed the basis of the registered user provisions inserted into most trademark statutes for more than 40 years.

Most registered user provisions require the licence parties to submit their agreements to the registrar, who scrutinizes them to ascertain the nature and extent of the quality controls to be exercised by the licensors. The registrar is obliged to ensure that registration of such agreements accords with the national interest, and is required to refuse registration to agreements that appear to facilitate trafficking. It should be noted, however, that registration has been considered not essential for validity of a trademark licence. The registration provisions have been described as permissive and not mandatory. Provided a licensor maintains control over the quality of the licensed products and the licensor is perceived as retaining a connection with the licensed products, expungement can be avoided.

Trademark licences may be granted as adjuncts to, or separately from, patent and know-how licences. Among the provisions particular to most trademark licences are the following:

- **Permission to use**. The grant of permission to use the relevant mark or marks is the first-stated provision of most licence agreements. The particulars of the mark or marks are usually listed in a schedule to the licence agreement, together with the products in respect of which the mark is to be used.

- **Number of licensees**. It will be important for the licensee to know how many other licensees will be appointed to service the licence territory. It will also be important to ascertain whether the licensor intends to distribute within the territory. Finally, it will be important to a licensee where others are to be appointed to ensure that its rivals are appointed on comparable terms.

- **Quality control**. As mentioned above, at the heart of any registered user agreement is a provision that the licensee will not use the marks on products that do not attain the standard of quality prescribed by the licensor. Quality control provisions will provide that the user receives, on a confidential basis, all specifications, technical data and know-how of the licensor to allow the prescribed quality standards to be met. Policing of this clause will usually require the user to send sample products to the licensor and to permit inspections of the user's factory and warehouses, and of methods of production, materials used, storage and packing of finished products. The agreement should permit the user to dispose of products that do not meet the quality standard, provided they do not carry the trademark.

REFERENCES

Licensing and Franchising: Making the Most of a Mark. Gerd F. Kunze. WIPO. 2003. Web page at www.wipo.int/arab/en/meetings/2003/tm_bey/doc/wipo_tm_bey_03_6.doc. Deals with the importance of licensing and franchising, trademark licensing, and standard provisions of clauses.

Joint Recommendations Concerning Trademark Licenses. WIPO. 2000. Web page at www.wipo.int/about-ip/en/development_iplaw/pub835.htm. The text of the recommendations on licensing of trademarks, with model international forms.

- **Marketing**. The licence will designate the territory in which the trademark may be used. This will usually contain prohibitions against trading outside the designated territory as well as provisions keeping the licensor out of the licence territory. Advertising material employed by the licensee may have to receive the licensor's approval.

- **Financial arrangements**. In addition to requiring a fee or royalties for permission to use the trademarks, a licensor may also require payment in respect of the provision of skilled persons to instruct employees of the licensee in the materials required to achieve the prescribed quality standards required in the agreement. Arrangements also have to be made to allocate the cost of the sampling procedure. Finally, the licensee is usually required to keep detailed books and records of sales of the trademarked products.

- **Infringements**. The licensee is normally required to report to the licensor all particulars of infringements that occur, and the licensor usually has conduct of all infringement proceedings.

53. How do I license works protected by copyright?

In the case of a publishing contract, the owner of copyright does not need and usually does not intend to part with the copyright or even the right to control the publication of the work. Under certain copyright laws, which consider the author's economic rights inseparable from the moral rights, assignment of the author's right to publish the work may not even be possible. When entering into a publishing contract, the owner of the copyright usually only undertakes to restrict the exercise of the right in the work to be published, and restrict it to the extent necessary for the publisher to be able to use the work. At the same time, the ownership of copyright does not change, but remains with the author or other owner of the copyright.

Thus, a characteristic publishing contract is a mere licence granted to the publisher by the owner of the copyright. To be of value to the publisher, a licence must also allow protection of the publishing activity against third persons.

A licence is generally understood in the field of copyright to be the authorization given by the author or other owner of copyright (licensor) to the user of the work (publisher or other licensee) to use it in a manner and according to conditions agreed upon between them.

The publisher should be granted a licence comprising all the rights necessary for optimum realization of the planned publication. Generally, an exclusive licence (providing an exclusive right) is acquired by the publisher to reproduce and publish the work concerned—or, if appropriate, to provide, reproduce and publish its translation—in a standard trade edition, comprising a reasonable number of copies.

The licence can be granted for one edition only, or also for subsequent ones. The size of a single – or the first – edition is usually determined in the contract either by fixing the number of copies it should comprise, or by stipulating a minimum and/or maximum number of copies ('the print run'). The agreement on the size of a single – or the first – edition usually takes into account the need to comply with the presumable demand of the public, at costs permitting sales at the usual retail price per copy prevailing in the given book market as regards similar publications.

In the case of a licence to publish the work in translation, the language (or languages) of the authorized edition (or editions) must be specified.

In order to promote the dissemination of the work published, and with regard to possible further exploitation of the publication under the contract, the licensee may acquire also certain so-called subsidiary rights. Such rights serve the purpose of reproducing or communicating to the public, or licensing others to reproduce or communicate to the public, the work (or its translation) in specified forms other than the standard trade edition.

REFERENCES

International Publishers' Association. Website at www.ipa-uie.org.

International Confederation of Societies of Authors and Composers (CISAC). Website at www.cisac.org.

Such subsidiary rights may for instance comprise: the right of previous and subsequent publication in the press of one or more extracts from the work; serial rights – that is, the right to publish the entire work or parts of it in one or more successive issues of a newspaper or periodical, before or after publication of the work in the standard trade edition; the right to read extracts from the work in sound or television broadcasting; the right to include the published work or a part of it in an anthology; the right to arrange for paperback or book-club editions after the standard trade edition. Publishers often request the licensor to confer on them, in the framework of subsidiary rights, the right also to license the reproduction of the published work by means of making microfilms or other reprographic reproductions, for purposes beyond the limits of fair use allowed by the law. The publisher may also request the right to license storage of the work in a computer, accessible to the public. Again, publishers may request the licensor to entitle them to license the reproduction of the work in the form of sound recordings. Sometimes, the right of licensing the reproduction of filmstrips is also requested. All these kinds of reproduction by means of modern technology are often referred to in contemporary publishing contracts as 'mechanical reproduction' of the work, and the rights involved as 'mechanical reproduction rights'. This term should not be confused with the notion of the 'musical mechanical right', which means the right to reproduce a musical work in the form of sound recordings.

It is a reasonable and usually accepted position not to confer upon the publisher rights to exploit the work in any manner involving its adaptation, such as dramatization rights for stage or film production, or for sound or television broadcasting, or translation rights in general. Strictly speaking, the exploitation of such rights goes beyond the scope of the promotion or direct exploitation of the publisher's own publication of the work.

The grant of 'digest rights' (the right to publish an abridgment or shortened form of the work), or of the so-called 'strip cartoon rights', is often made subject to special authorization in each case, in view of the moral interests of the author relating to the integrity of the work. With regard to the integrity of the work to be published, special stipulations can be incorporated in the contract. This may prove useful especially in countries where no appropriate 'moral rights' provisions are established by legislation. For example, it may be agreed that 'the publisher shall reproduce the work without any amendment or abbreviation thereof, or addition thereto'.

As regards translation of the work, it is usual to agree that 'the publisher shall have a precise and faithful translation made at his or her own expense. The title of the translation is subject to the written approval of the copyright licensor. Upon request, the final text of the translation shall also be submitted to the licensor for approval'.

With regard to certain formalities required in a few countries (mainly the United States) as a condition of the full enjoyment of copyright in published works, it is generally stipulated in publishing contracts that an appropriate notice of copyright shall be printed on the title page. The notice consists of the symbol ©, the year of the first publication of the work and the name of the owner of the copyright in the work.

As regards distribution of the copies published, it is often stipulated that 'the publisher shall provide for efficient promotion of the work at his or her own expense'. In cases where the licence has not been confined to one edition only, it is often added that 'he or she shall see to it that the book is continuously available, and that new editions are printed in due time, so as to comply with actual demand'.

Drawing up a business strategy

54. What are the essential elements of a business plan?

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.

Although putting together a good business plan takes a lot of work, its benefits justify the time and energy you will spend creating it. A business plan will help you to:

- **Examine the feasibility of your business idea or export plan.** 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.

- **Access start-up services and financing**. Potential investors and lenders require well-formulated and realistic business plans. This is often not the case; it is not surprising, therefore, that some 80% of business plans received by investors and business incubators are rejected.

- **Provide strategic guidance.** A business plan is a reference point providing you and your management team with an objective basis for determining whether the business is on track to meet the goals and objectives in the time frame set and with the available resources.

- **Furnish a standard or benchmark** against which to judge future business decisions and results. This standard or benchmark may evolve along with the business; the business plan is a dynamic document that should be revised based on new and evolving circumstances.

International business plans

Developing an **international business plan** requires careful planning and commitment. As with any new business operation the decision to export must be envisaged as a long-term business investment rather than a short-term profit objective. Before taking on a commitment to enter into international business agreements, the development of an international business plan is a key step in determining a product's readiness for export. A well-prepared business plan will assist the firm in assessing the potential of a product in international markets, facilitate application for financing, and help determine whether there is a market for the product and how much it will cost to export a product.

REFERENCES

Business Plan Basics. United States Small Business Administration.
Web page at www.sba.gov/starting_business/planning/basic.html. Discusses the importance of business plans, their elements, and how to write and use them.

Basic Business Plan. Taguspark. Web page at http://onli.browser.pt/bp/basic_home.html. An online interactive business plan tutorial.

Centre for Business Planning. Website at www.businessplans.org. Links to business planning resources (including venture capital, new products, market analysis, competitive analysis, production management, tax problems, legal issues, financial statements, writing a business plan). Sample business plans. Business planning tools (software to document your business plan, evaluate your marketing strategy, and test your product ideas). Free sample analysis, to evaluate your business strategy.

55. Why is it important to include intellectual property issues in my business plan?

New or original knowledge and the creative expression of ideas are the driving force of successful businesses in the twenty-first century. Therefore, safeguarding such knowledge and creative expression from inadvertent disclosure or unauthorized use by competitors is becoming an increasingly critical element in 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:

- Keeping at bay unscrupulous competitors;
- Developing relationships with employees, consultants, suppliers, subcontractors, business partners and customers;
- Obtaining funds.

To attract investors, it is necessary to have a quality business plan that looks objectively at the prospects of the proposed business. In order to convince investors you will have to show that:

- There is a demand for your product in the marketplace;
- Your product is superior to competing products, if any;
- You have taken adequate steps to prevent 'free riding' 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 the results of a reliable patent search) may be the best proof of novelty you can get.

Your trade name, trademarks and domain names may be the prime elements that differentiate your product from those of competitors. Therefore, your proposed name(s) should be carefully chosen and the steps taken to register them 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.

REFERENCES

Practical IP issues in developing a business plan. WIPO.
Web page at www.wipo.org/sme/en/ip_business/managing_ip/business_planning.htm. Discusses the importance of business plans, and why and how to integrate IP into business plans.

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 is 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 if you hold the economic rights to copyright works), then it should be a key part of your business plan. An adequate reference to the assets of a company and its market opportunities should not only list the tangible assets (e.g. factories, equipment, capital) but also the intangible assets, because the latter are increasingly the key to a company's success in a hyper-competitive environment. 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.

56. How can I know if my company has intellectual property assets? What is an intellectual property audit?

Why conduct an IP audit?

While some businesses have sophisticated processes and systems in place to identify, protect, and manage IP assets as they are created, a surprising number do not. Some businesses have systems for managing those IP rights that can be registered (patentable inventions and registrable trademarks, for example), but find themselves in trouble when valuable staff members leave, taking undocumented know-how with them. Even for 'IP aware' businesses, systems should be periodically reviewed and staff trained or reminded of how to get the most out of the IP assets held by their business. The issues assessed by an IP audit may include:

- **Ownership of IP rights.** Has your company properly protected all its IP? Are there any patentable inventions, designs, trademarks and copyright or related rights that could be better protected? Are all the designs or inventions created by your employees or by outside consultants owned by your business? If not, do you have a right to use them?

- **Due diligence.** Does your company own or have a licence to use all the technologies that are required for its products? Is your company infringing or likely to infringe on the IP rights of others?

- **Licensing.** Is your company making the most of its IP assets? Are you licensing any IP rights to other firms? Are you receiving proper remuneration for them?

- **Enforcement.** Do you know whether your IP rights are being infringed by others? Should you take measures to stop or prevent infringement?

Different types of IP audit

An IP audit will be tailored to the exact needs of the business, but is generally designed to identify existing IP assets, ensure proper protection (such as documenting know-how, where appropriate) and put in place or review systems for ongoing management of IP assets, from creation through to expiry.

Examples of the different ways that IP audits may be carried out are:

- A start-up company will usually want to gain the appropriate IP protection for its core technologies and/or other IP assets. Setting up systems for identifying IP at an early stage in the life of a company can also increase a company's profit from its IP.

- A business merging with, acquiring or investing in another business will want to focus on valuing the assets of that business, including assessing the value of IP rights. This is also an important consideration for businesses that are considering selling key IP assets.

- A company that is into exports will have to focus in its audit on ensuring cost-effective protection of its IP assets in all markets of interest, including identification of opportunities for IP-based strategic partnerships, joint marketing, joint production arrangements, licensing, franchising, and, on occasions, the selling of IP assets.

REFERENCES

Conducting a Intellectual Property Audit and IP Due Diligence. Brad Limpert and Ali Samiian. Gowling Lafleur Henderson. 2002, Web page at www.gowlings.com/resources/PublicationPDFs/ConductingIPAuditandIPDueDiligence_Reformatted.pdf. Discusses different IP rights, scope of protection, conducting due diligence, assessing risk of infringement.

The Intellectual Property Due Diligence: A Critical Component of Risk Management. Mary J. Hildebrand and Jacqueline Klosek. Goodwin Procter. 2001; Web page at www.goodwinprocter.com/publications/hildebrand_klosek_2_01.pdf. Discusses the importance of due diligence for IP valuation. Includes goals and some tips.

The Importance of Periodic Intellectual Property Audits. Andrew Sherman. PatentCafe. 2002. Web page at www.cafezine.com/index_article.asp?Id=426&deptid=4. Discusses the importance of periodic assessment of IP through IP protection and leveraging analysis, and criteria to be considered.

57. How can intellectual property help me with market research and competitive intelligence?

To be successful, exporters must assess their markets through market research. Exporters engage in market research primarily to identify their marketing opportunities and constraints within individual markets abroad and also to identify prospective buyers and customers.

Market research includes all methods that a firm uses to determine the overseas markets that have the best potential for its products. Results of this research inform the firm of the largest markets for its products, the fastest-growing markets, market trends and outlook, market conditions and practices, and competitive firms and products.

How can IP help during your market research?

Patent and trademark databases can be a very useful tool during your market research. Patent databases will give you information on, for example: whether a given technology is protected by others in a given market, thus determining whether you require a licence to use the technology in that market; the latest technologies developed by your competitors which are protected in that market; potential partners who have developed complementary technology that might enhance your products and/or services; and other information that may be important for assessing the competitive environment in a given market and your chances of success. See question 17.

Trademark databases should also be consulted in order to check whether the trademark you intend to use is likely to conflict with a protected trademark in that market. Discovering that a conflict exists may strongly influence your decision to enter a market, change your marketing strategy and/or force you to use a different trademark for that market. See question 24.

REFERENCES

Using Intellectual Property Data for Competitive Intelligence. Ron Simmer. Licensing Executive Society USA and Canada. 2001. Web page at www.library.ubc.ca/patscan/CH4-CompIntelRevB.pdf. Discusses IP information as a research tool for competitive intelligence, its use, IP data sources, patent searching tools and strategies, information that may be extracted from patents, analysing technology. Includes examples from companies.

WIPO Patent Information Services (WPIS) for Developing Countries. WIPO Patent Information Services (WPIS) for Developing Countries. Web page at www.wipo.int/innovation/en/wpis. Provides information on different types of searches, on WPIS and its services, and guidelines for submitting requests.

IP rights in export markets

58. What are the various ways of entering an export market and how can intellectual property help?

Selecting the mode of entry into a particular market is one of the most critical decisions for an exporter to take because it has significant implications for a wide range of international marketing concerns. When choosing a mode of entry, the exporter should consider the similarities between the domestic market and the one that is the destination of the export, how much after-sales service is required, tariffs and shipping, lead-time requirements, brand awareness, IP protection and competitive advantage. There are two main options for market entry – direct exporting and indirect exporting.

Direct exporting

The manufacturer–exporter undertakes the entire export process, from identifying the customer to collecting payment. The firm may have to establish an independent export department with the necessary funding to do this.

Advantages are that the firm:

- Has complete control over the exporting process;
- Increases its profit margin by saving on payments to an intermediary; and
- Develops a closer relationship with the overseas buyer.

Disadvantages are:

- The costs of establishing another market may outweigh the benefits of direct exporting; and
- The exporter may be exposed to more direct risk.

One way of direct exporting for SMEs is for them to join together to form an **export consortium**. Governments often allocate special benefits to small exporters who form an export association with other SMEs. This type of arrangement can be especially advantageous for inexperienced exporters.

Indirect exporting

A firm wishing to export, but not having the necessary infrastructure and expertise, may export through commission agents, local buying offices, merchant exporters, or export development companies (EDCs).

Advantages for the firm are that it:

- May concentrate on production without having to learn all the technical and legal aspects of exporting; and
- Benefits from the professional expertise of the intermediary.

REFERENCES

Global Trade Tutorial: Developing an Export Strategy. TradePort. Web page at www.tradeport.org/tutorial/strategy. Discusses various market entry strategies, issues involved in entering the foreign market, finding and developing trade leads, exporting directly and indirectly, pursuing international bid opportunities, managing and motivating distributors, promoting your product and travelling overseas.

Legal Aspects of Entering Foreign Markets – Pitfalls and Safeguards. Fred M. Greguras. Fenwick and West. Webpage at www.batnet.com/oikoumene/enter.frgn_mkts.html. Discusses briefly the various legal issues (tax aspects, choice of business partner, IP protection, ability to enter into contract etc) involved when entering foreign markets.

Disadvantages are:

- The possibility of losing control over the product to an overly aggressive representative; and
- Some intermediaries may have different objectives from the exporters.

In cases of indirect exporting, it is important to establish clarity of IP ownership in the export markets in order to avoid disputes at a later stage.

Other options also exist for a firm that wants to export, including joint ventures, licensing and offshore production.

Joint ventures. A joint venture is a partnership between the exporting firm and the importing firm, negotiated to involve one or more of the following: equity, transfer of technology, investment, production and marketing. The partnership contract will define responsibilities for performance, accountability, profit sharing and marketing arrangements. Joint ventures can spread costs, mitigate risks, offer knowledge and details of the local market and ease market entry. Individual countries may have laws that regulate joint ventures. See question 48.

Licensing. A firm can contractually license or assign its IP rights, such as patents, utility models, industrial designs, trademarks, copyright or technological know-how protected as a trade secret, to a company overseas for a one-time fee or a recurring royalty. Licensing offers rapid entry into another market. Capital investment is allowed, and the return is usually realized more quickly, but licensing involves loss of control over production and marketing, and the inevitable sharing of technological know-how by the licensee, unless carefully proscribed in a legal contract. See question 47.

Offshore production. A firm may wish to establish a manufacturing plant in the targeted overseas market, to reduce transportation costs, avoid prohibitive tariffs, lower labour costs, lower input costs, or gain government incentives.

59. Having bought my IP-protected goods in an overseas market, can a buyer re-import those goods and sell them in the domestic market? Can I stop him or her? How does this affect my export and pricing strategy?

While developing your export/import strategy, you should verify, preferably by consulting a qualified professional, whether a buyer could legally resell, in another country, goods of your enterprise that are IP protected, without having to seek your consent. In other words, you should find out whether your IP rights are 'exhausted' after the first international sale of the product.

Similarly, if your enterprise 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 – i.e. in another market(s).

The answers to these questions are fairly complex. Not only may they be different from one country to another but they may also depend on the kind of IP rights involved, and the nature of the products in question.

Exhaustion of IP rights

Before discussing these issues, we must define what is meant by 'exhaustion' of IP rights. This is one type of limit on IP rights. Simply put, it means that once a product protected by an IP right has been sold either by your enterprise, or with your consent by others, the IP rights of commercial exploitation over the product are said to be 'exhausted'. Sometimes this limitation is also called the 'first sale doctrine', as the rights of commercial exploitation for a given product end 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 enterprise.

There is a fairly broad consensus that this applies at least within the context of the domestic market. If you wish to retain control over subsequent acts such as resale, rental, or lending then it is advisable to go in for licensing of your IP rights rather than selling of the product. This is what usually occurs with software products.

Furthermore, most countries have put limits on the 'first sale doctrine' by preventing buyers of, for example, audio and video cassettes, CDs and DVDs, from renting, leasing or lending these for direct or indirect commercial advantage. There is a debate in interested circles as to whether there should be a prohibition on lending of all digitalized works.

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Parallel Imports and International Trade. Christopher Heath. WIPO. 1999.
Web page at www.wipo.int/sme/en/activities/meetings/pdf/atrip_gva_99_6.pdf. Different approaches in civil law and common law countries, and in the international context.

International exhaustion

There is less of a consensus on whether, and to what extent, the sale or commercial exploitation of an IP-protected product abroad also exhausts the IP rights over this product. This issue becomes relevant in cases of so-called parallel importation. Parallel importation refers to the import of goods by importers who are not part of the distribution channels contractually negotiated by the manufacturer of the IP protected product. Because the manufacturer or IP owner has no contractual connection with a parallel importer, the imported goods are sometimes referred to as 'grey market goods', which is somewhat misleading, as the goods themselves are original; only the 'parallel' distribution channels are not controlled by the manufacturer or IP owner. They may be packaged or labelled differently.

Based upon the right of importation that an IP right confers upon an IP owner, the IP owner may try to oppose such importation or re-importation in order to separate or segment markets for business reasons. If, however, marketing of the product abroad by the IP owner or with his or her consent leads to the exhaustion of all domestic IP rights, then the right to prevent importation should also be exhausted. In other words, the IP owner should not be able to oppose the importation of the product into another country or its reimportation into the home country where it was first marketed.

The principle of exhaustion, therefore, has different implications, depending on whether the country of importation applies the concept of national, regional or international exhaustion. The concept of ***national 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 or her consent as long as the goods remain in the domestic market. However, the IP owner (or an authorized licensee) could still oppose the importation of original goods marketed abroad or exported from the domestic market, based on the right of importation. In the case of ***regional exhaustion***, the first sale of the IP protected product by the IP owner, or by someone else with his or her consent, exhausts all IP rights over the products not only domestically, but within the whole region. Parallel imports within the region can no longer be opposed based on the IP right but can be opposed at the international border of the region with countries outside the region. If a country applies the concept of ***international exhaustion***, the IP rights are exhausted once the product has been sold by the IP owner or with his or her consent in any part of the world.

National IP offices, or IP agents or attorneys, should be able to provide guidance concerning the legal provisions for each type of IP right in the countries of interest to you.

IP rights exhaustion and its impact on export and pricing strategy

Many firms have different prices for a particular product in different countries depending on, among other factors, the purchasing power of the population. Thus, if a given product manufactured and sold by your company, or by another company on the basis of a licence granted by you, is available at a lower price in another country, then someone else might be tempted to buy it in that country and import or re-import it into your own country. Thus the importer would be offering a product that was legally manufactured by your company or your licensee at a lower price than the price at which your company is selling it. Such a practice would be acceptable if your country applies the principle of international exhaustion of IP rights as explained above. A country's position on international exhaustion and parallel importing may therefore have an impact on your export and pricing strategy.

60. When should I apply for the protection of my intellectual property rights abroad?

When applying for IP protection in other countries, timing is a critical factor. It is generally hard to determine the right moment to initiate the application process. The exact timing will depend on considerations such as:

- How close you are to product launch;
- The amount and availability of financial resources for protecting your IP rights abroad;
- The likelihood that your product's technical features, design or trademark will be independently developed copied or imitated by others;
- The time taken to register/grant the rights by the relevant IP offices in countries of interest to you.

There are, however, some important considerations to be borne in mind in order to make sure that you are not faced with high expenses for maintaining your IP rights too early in the process, or that you do not miss important deadlines for applying for protection abroad.

Applying too early

Applying for patent protection in various countries may be an expensive affair and it is important not to initiate the process too soon or you will face high expenditure on application fees, translation fees and/or maintenance fees at an unnecessarily early stage of commercialization. One way of delaying the need to pay national application fees, translation fees and maintenance fees for patents is to use the system for international applications called the Patent Cooperation Treaty (PCT). Information on the PCT is provided in question 62.

Applying too late

There are also a number of very important reasons for making sure that you do not apply for IP protection too late.

First and foremost, for IP rights that require registration or grant (such as patents, trademarks and industrial designs) a very simple principle applies in most countries: the one who applies first gets the right. In the case of patents, this is called the 'first-to-file' system.[4] Thus, waiting too long may mean that somebody else, who has been working on the same technical problem and has found an identical or similar solution, may apply for protection for the same invention before you do, thus obtaining exclusive rights over it. Similarly, in the case of trademarks, your trademark will generally not be registered if it is considered to be identical or similar to a trademark protected by others.

Secondly, once you have launched a new product or disclosed information on the innovative technical or aesthetic features of your product, it will generally be considered too late to obtain protection. The disclosed invention or design will no longer meet the novelty requirements and will therefore not qualify for protection, unless the legislation provides a grace period.[5] It is important to bear in mind that this does not apply to trademarks and you may obtain protection for trademarks after you have used them in the market (although it is generally advisable to register them well in advance).

REFERENCES

Towards a Common European View on the Features of a Grace Period. European Commission. 2003. Web page at http://europa.eu.int/comm/research/era/pdf/ipr-gp-report.pdf. Discusses the various factors considered in determining a grace period.

[4] A notable exception is the United States, which follows the 'first-to-invent' rule whereby the patent is granted to the first to have come up with the invention.

[5] Some countries provide a grace period enabling inventors or designers to disclose, publish or exhibit their protected product 6 or 12 months prior to submitting an application, without the invention or design losing novelty.

There is a third important reason for not waiting too long, particularly once you have applied for protection in the domestic market. This relates to what is generally referred to as the **right of priority**. This right means that on the basis of a regular application for an industrial property right filed by a given applicant in one country, the same applicant may, within a specified period of time (6 to 12 months depending on the type of IP right), apply for protection in most other countries. These later applications will then be regarded as if they had been filed on the same day as the earliest application. Hence, these later applications enjoy a priority status with respect to all applications relating to the same invention or design filed after the date of the first application. In the case of patents and industrial designs, applications filed abroad after the priority period has elapsed cannot benefit from the right of priority, and thus may not be considered to meet the novelty requirement and may not be granted.

The right of priority offers great **practical advantages** to the applicant desiring protection in several countries, but it also establishes a clear **deadline**. The practical advantages relate to the fact that all the applications are not required to be presented in the applicant's home country and in other countries at the same time, since there are 6 or 12 months available in which to decide on the countries where protection is needed. The applicant can use that period to organize the steps to be taken to secure protection in the various countries of interest and to explore the possibilities for commercialization of the new product. On the other hand, the applicant has to meet strictly the deadline established by the priority period, in order to obtain protection in another country.

The length of the priority period varies according to the different kinds of industrial property rights:

- For **patents**, the priority period is 12 months from the first application. Once this has elapsed you have a higher risk of not being able to obtain patent protection in other countries. However, applying for patent protection using the PCT system (see question 62) effectively gives you an additional 18 months (8 months for some countries) to decide in which countries you wish to obtain protection.

- For **industrial designs**, most countries provide a six-month priority period from the date of filing of the first application in which to apply for industrial design protection in other countries.

- For **trademarks**, a six-month priority period also applies.

Copyright and related rights

The issue of the timing of the application or registration also arises for copyright in countries where registration is available. As there are significant practical advantages in registering copyright wherever this option exists, it is highly advisable to do this as early as possible (preferably prior to starting to export the protected product). In addition, for certain products it is also highly recommended to register your works protected by copyright with a collective management society (see question 34). If you have done so in your own country, it is likely that your national collective management organization has arrangements with its counterparts in other countries to ensure fair distribution of royalties collected for the copyright work of their members.

Protecting IP rights abroad

61. How do I protect my intellectual property rights abroad?

There are essentially three alternative procedures for applying for IP protection in other countries.[6]

The national route

One option is to seek protection in individual countries separately by applying directly to national industrial or IP 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. Some countries will also require you to hire an IP agent. 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 route 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 international filing and registration systems for inventions, marks and industrial designs (see question 61) offer a simpler and generally less expensive alternative.

The regional route

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 patent protection in all countries that are party to the European Patent Convention, currently 27 countries). More information may be obtained at: www.european-patent-office.org.
- **Office for Harmonization in the Internal Market** (for the Community Trademark and the Community Design, which grant their proprietors a uniform right valid in all Member States of the European Union by means of one procedural system): http://oami.eu.int.
- **African Regional Industrial Property Organization** (ARIPO, the regional IP office for English-speaking Africa for patents, utility models, trademarks and industrial designs): http://aripo.wipo.net.
- **African Intellectual Property Organization** (OAPI, the regional IP office for French- and Portuguese-speaking Africa for patents, utility models, geographical indications, trademarks, industrial designs and, in the future, layout-designs of integrated circuits): http://oapi.wipo.net.
- **Eurasian Patent Office** (for patent protection in countries of the Commonwealth of Independent States): www.eapo.org.
- **Benelux Trademark Office & Benelux Designs Office** (for trademark and industrial design protection in Belgium, the Netherlands and Luxembourg): www.bmb-bbm.org and www.bbtm-bbdm.org.
- **Patent Office of the Cooperation Council for the Arab States of the Gulf** (for patent protection in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates): www.gulf-patent-office.org.sa/.

[6] The following paragraphs refer to patents, trademarks and industrial designs. For information on copyright protection abroad, see qu …

The international route

The WIPO-administered systems of international filing and registration systems greatly simplify the process for simultaneously seeking IP protection in a large number of countries. Rather than filing national applications in many languages, the international filing and registration systems enable you to file a single application, in one lan guage, and to pay one application fee. These international filing systems not only facilitate the whole 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 enterprise to gain 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.

- **A system for filing international patent applications** is provided under the Patent Cooperation Treaty (or PCT) system, the worldwide system for simplified multiple filing of patent applications. See question 62.
- **International registration of trademarks** is facilitated by the Madrid System. See question 63.
- **International deposit of industrial designs** is provided by the Hague Agreement. See question 64.

62. What is the easiest way to apply for patent protection in several countries? What is the PCT?

Do you want to protect your invention in several countries? If so, you should consider the advantages that are offered by filing an international application under the Patent Cooperation Treaty (PCT). By filing one international application under the PCT, you can simultaneously seek patent protection for an invention in all countries that are Contracting Parties to the PCT (123 States in January 2004).

An important advantage of the PCT is that it generally provides 18 additional months (8 months in some cases) – i.e. a total of 30 months (or 20 in some cases) compared to the 12 months obtained using the right of priority – for making up your mind about which countries you wish to obtain protection in. During this additional time, applicants may explore the commercial possibilities of their product in various countries and decide where it is important or convenient to obtain protection. The payment of national applications fees and costs of translation into the relevant national languages is thus delayed, giving applicants a breathing space of up to 30 months. The cost of further translation has to be met eventually, but not until 18 (or in some cases 8) months later than under a procedure which does not use the PCT, and only if the applicant is still interested in the countries concerned. If not, all subsequent costs can be saved.

The PCT is widely used by applicants in order to keep all their options for protecting inventions in many different countries open for as long as possible. Applicants may file their application in their own country or, where applicable, with the competent regional office, or with the International Bureau of WIPO. Your national patent office will be able to provide you with details of how to submit a PCT application.

If the applicant does not use the international procedure offered by the PCT, preparations for filing abroad must be started three to six months before the expiration of the priority period. Translations of the application must be prepared and put onto a different application form for each country. By using the PCT, on the other hand:

- The applicant files only one application within the priority year (i.e. within 12 months from filing the national application);
- The application has effect in all PCT Contracting States;
- The application may be identical as to both language and form with the applicant's own national application;
- The applicant gains time to explore the commercial potential of the invention.

The members of the PCT are listed in appendix IV.

REFERENCES

Basic Facts About the PCT. WIPO. Web page at www.wipo.int/pct/en/basic_facts/basic_facts.pdf**.** Practical question and answers on the PCT from a business perspective.

The Patent Cooperation Treaty. WIPO. Web page at www.wipo.int/pct/en. Information on the PCT, regulations, and guides for applicants.

63. What is the most practical way of applying for trademark protection in several countries?

If you would like to have your trademark protected in several countries, but you realize that filing a separate application in each country is complicated and expensive, you may want to file an application for international registration under the Madrid System, which is governed by two treaties: the Madrid Agreement Concerning the International Registration of Marks, and the Madrid Protocol. While some countries are party to both treaties, others are party to only one of the two. The system is administered by the International Bureau of WIPO, which maintains the International Register and publishes the WIPO Gazette of International Marks.

International applications under the Madrid System

An international application under the Madrid System may be filed by a natural person or legal entity that has a real and effective industrial or commercial establishment in, or is domiciled in, or is a national of, one of the countries party to the Madrid Agreement and/or the Protocol.[7]

A mark may be the subject of an international application only if it has already been registered (or, where the international application is governed exclusively by the Protocol, if registration has been applied for) in the trademark office of the contracting party with which the applicant has the necessary connection – referred to as the office of origin.

The principal **advantages of using the Madrid System** are that the trademark owner can protect the trademark in a number of different countries/members of the Madrid System, by filing a single application; in one language (either English or French, although the office of origin may restrict the applicant's choice to only one of these languages); subject to one set of fees in one currency. Thereafter, the changes to the international registration and the renewal of the registration may be made in a single procedural step, which takes effect in all designated contracting parties.

Protection for the mark can be obtained in any country that is party to the same treaty (Agreement or Protocol) as the State whose office is the office of origin. The countries where protection is sought must be designated in the international application and further countries may be designated subsequently.

REFERENCES

Protecting Your Trademarks Abroad: Twenty Questions About the Madrid Protocol. WIPO. Web page at www.wipo.int/madrid/en/20_questions.pdf. An easy-to-understand overview of the Madrid Protocol, and practical issues and aspects of filing of an international application for protection of trademark in several countries.

The Madrid System for the International Registration of Marks. WIPO. Web page at www.wipo.int/madrid/en. Contains general information on the Madrid System under the heading Overview.

Guide to the International Registration of Marks under the Madrid Agreement and the Madrid Protocol. WIPO. 2002. Web page at www.wipo.int/madrid/en/guide. Chapter I deals with procedures of concern to applicants and holders as well as to offices. Chapter II describes the procedures of the Madrid System from the point of view of an applicant or holder.

[7] In addition, under the Protocol, a person who is a national, is domiciled in or has a real and effective commercial establishment in a member State of a contracting party to the Protocol (such as an **intergovernmental organization**) may also file an application. While there is currently no intergovernmental organization member of the Protocol, the Protocol makes it possible for regional IP offices to become members.

Fees under the Madrid System

The following fees are payable for the filing of an international application:

- A **basic fee** of 653 Swiss francs (or 903 Swiss francs where the mark is in colour);
- Either a **standard designation fee** of 73 Swiss francs or an **individual designation** fee whose amount is fixed by the country concerned for each designated country;
- A **supplementary fee** of 73 Swiss francs for each class of goods and services beyond the third (however, no supplementary fee is payable where all the countries designated are ones for which an individual fee is payable).

The office of a designated country has the right to refuse protection of a mark in the territory of that country. Refusal may be made on any of the grounds on which an application for registration filed directly with that Office might be refused. Refusal is notified to the International Bureau and recorded in the International Register.

In principle, any refusal must be issued no later than 12 months from the date on which the office concerned was notified of the designation. However, where a country designated under the Protocol has made a declaration to that effect, the time limit is extended to 18 months. Such a country may also declare that a refusal based on an opposition may be issued after the expiry of the 18-month time limit, provided however that the office concerned has, within the 18-month period, notified the International Bureau of this possibility.

At the end of the applicable time limit, therefore, the holder of an international registration is in a position to know whether the mark has been accepted for protection in each of the designated countries, or whether protection has been refused in one country, or whether there is still a possibility of refusal on the basis of an opposition in a particular country. An international application is effective for 10 years. It may be renewed for unlimited numbers of further periods of 10 years on payment of the prescribed fees.

The members of the Madrid System are listed in appendix V.

64. How can industrial designs be protected in several countries?

As a general rule, industrial design protection is limited to the territory of the country where protection is sought and granted. If protection is desired in several countries, separate national deposits must be made and different procedures must be complied with in each country.

The Hague Agreement Concerning the International Deposit of Industrial Designs, a multilateral treaty administered by WIPO, offers an alternative that simplifies these tasks enormously. It allows nationals and residents of, or companies established in, a State that is party to the Agreement, to obtain industrial design protection in a number of countries through the following procedure:

- A single 'international' deposit;
- In one language (English or French);
- Payment of a single set of fees;
- In one currency;
- Filed with one office (either directly with the International Bureau of WIPO or, under certain circumstances, through the national office of a contracting State).

An industrial design that is the subject of an international deposit enjoys, in each State concerned that has not refused protection, the same protection as is generally conferred on industrial designs by the law of that State, unless protection is expressly refused by a national office under prescribed circumstances. The international deposit is thus equivalent to a national right in terms of its scope of protection and enforcement. At the same time, the international deposit facilitates the *maintenance of protection:* there is a single deposit to renew and one simple procedure for recording any changes, e.g. in ownership or addresses.

The members of the Hague System are listed in appendix VI.

REFERENCES

The Hague System for the International Deposit of Industrial Designs. WIPO. Web page at www.wipo.int/hague/en. An introduction to industrial designs, protection and advantages; links to relevant application forms and schedule of fees.

The Hague Agreement: Objectives, Main features, Advantages. WIPO. Web page at www.wipo.int/hague/en/pub_419. An overview of the objectives, features and advantages of using the Hague System for international deposit of industrial designs.

65. Is copyright protection valid internationally?

Copyright itself does not depend on official procedures. A created work is considered protected by copyright as soon as it exists. According to the Bern 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 (151 countries in August 2003 – see appendix VII for a list). This also applies to all members of the World Trade Organization.

Thus, there is no international application procedure to obtain copyright protection as there is for patents, trademarks and industrial designs. However, many countries have a national copyright office and some national laws allow for registration of works for the purposes of, for example, identifying and distinguishing titles of works. In certain countries, registration offers a number of practical advantages as it can serve as *prima facie* evidence in a court of law with reference to disputes relating to copyright and the exercise of some rights may be contingent on registration. For example, in the United States, registration is required in order to get statutory damages. Registration may also be required for nationals of the country, because their rights in their own countries are not affected by international treaties. Thus, for nationals of the United States, a court action for infringement will be dismissed without a valid registration.

Hence, while there is no international procedure for obtaining copyright protection abroad and your work is automatically protected without the need for registration in all countries that are members of the Berne Convention, you may still wish to register your work in national copyright offices wherever this option is available. A list of national copyright offices is available on the WIPO website at: www.wipo.int/news/en/links/addresses/cr.

REFERENCES

Berne Convention for the Protection of Literary and Artistic Works. WIPO. Web page at www.wipo.int/treaties/ip/berne. The text of the convention.

Berne Convention for the Protection of Literary and Artistic Works. NationMaster. Web page at www.nationmaster.com/encyclopedia/Berne-Convention-for-the-Protection-of-Literary-and-Artistic-Works. A brief description of the Berne Convention and its copyright provisions.

66. Enforcing intellectual property rights

If I notice violation of my intellectual property rights, what should or can I do?

The more valuable the IP assets of your enterprise, the greater the possibility that others will want to make use of them, and preferably 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 IP rights of your company without your authorization, what should you do? What are your options? How do you weigh up the costs and benefits of various alternatives? Or would you simply rush to court?

Before taking a decision on which option to take it is generally convenient to:

- Identify who is infringing (including the manufacturers and main distributors, and not merely the retailers);
- Determine the extent of the problem;
- Consider whether it is likely to increase;
- Calculate, if possible, how much direct or indirect loss you have suffered or will suffer.

Once you have a clear idea of the facts of the matter, then focus on the costs and benefits of your response. However, also bear in mind that on occasions it may be advisable to act as fast as possible rather than wait too long.

Below are some of your options:

- You have the option to 'ignore' the violation of your IP rights of your company if the loss of income, sales or profits appears to be negligible from your point of view. If the scale of violation is already significant, or soon will be, then you must find out, as quickly as possible, the main culprits and deal with them expeditiously but methodically. It is obvious that dealing with these kinds of situation requires a careful weighing up of the pros and cons of different alternatives. 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, and the likelihood and extent of reimbursement of attorney's fees if the final decision is in your favour.

- If you have a dispute with a company with which you have signed a contract (e.g. a licensing contract), check whether there is an arbitration or mediation clause in the contract itself. It is prudent to include a special provision in contracts for the dispute to be referred for **arbitration or mediation** in order to avoid expensive litigation costs. On occasions, it may be possible to use alternative dispute resolution systems such as arbitration or mediation even if there is no clause in the contract or no contract at all, as long as both parties agree to it. More on arbitration and mediation in question 69.

REFERENCES

Combating Counterfeiting: A practical guide for European engineering companies. Orgalime. 2001.Web page at www.orgalime.org/pdf/Anti%20Counterfeiting%20Guide.pdf. Guide prepared in association with the European Commission. Offers practical advice on recognizing counterfeiting, legal and technical protection checklists, actions that may be taken against counterfeiting, and success stories. Draws on the experience of a large number of both large and small engineering firms.

A Guide to United States Patent Litigation. Mark D. Schuman. Merchant and Gould. 2003. Web page at www.merchantgould.com/attachments/39.pdf**.** Discusses the United States patent litigation system.

Contrefaçon : comment se protéger (Counterfeiting: How to Protect Yourself). Ministère de l'Économie, des Finances et de l'Industrie de France. 2002. Wweb page at www.industrie.gouv.fr/pratique/conseil/contrefa/sp_contr.htm. Discusses counterfeiting, its magnitude, prevalence in industries, and protection measures. (In French.)

- Once you have found out that someone is infringing the IP rights of your company, you may wish to consider sending a letter (commonly known as a 'cease and desist letter') to the alleged infringer informing him or her of the possible existence of a conflict between your IP rights and his or her business activities (identifying the exact area of conflict) and suggesting that a possible solution to the problem be discussed. It is highly 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 infringement since the infringer will in most such cases either discontinue the activities or agree to negotiate a licensing agreement.

- When you are faced with intentional infringement, including, in particular, counterfeiting and piracy, you may wish to seek the assistance of law enforcement authorities to surprise the infringer at his or her business premises in order to prevent infringement and to preserve evidence relevant to the alleged infringement. Furthermore, the infringer may be compelled by the competent judicial authorities to inform you of the identity of third parties 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 from your company, that infringing goods be destroyed or disposed of outside the channels of commerce without compensation of any sort.

- You may initiate **civil proceedings**. The courts generally provide a wide range of civil remedies to compensate aggrieved owners of IP rights. These include damages, injunctions, orders to account for profits and orders to deliver up infringing goods to right-holders. The IP law may also contain provisions that impose **criminal liability** for making or commercially dealing with infringing objects. The penalties for breach of the relevant sections may be imprisonment and perhaps even a fine as well.

In any case, 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 in order to more accurately assess the most favourable option for your company, at the lowest possible cost. It may also be important to register your IP rights with the customs authorities, on payment of fees, in case the infringing, pirated or counterfeit items are coming from another country.

67. Why should I enforce my intellectual property rights? Who is responsible for enforcing them if they are infringed?

Why enforce IP rights?

The main objective of acquiring IP protection is to enable your company to reap the fruits of the inventions and creations of its employees. The IP rights of your enterprise can lead to benefits only when they can be enforced; otherwise, infringers and counterfeiters will always take advantage of the absence of effective enforcement mechanisms to benefit from your hard work. Often, the mere threat of enforcement is a sufficient deterrent to would-be infringers.

In a nutshell, for your enterprise, the enforcement of IP rights is essential in order to:

- Preserve the legal validity of your IP rights before the relevant public authority.
- Prevent infringement from occurring or continuing in the marketplace, thus avoiding damage such as loss of goodwill or reputation.
- Seek compensation for actual damage, e.g. loss of profit, resulting from any instance of infringement in the marketplace.

Who is responsible for enforcing IP rights?

The burden of enforcing IP rights is mainly on the holder of such rights. It is up to you as an IP right-holder to identify any infringement or counterfeiting of your IP rights and to decide what measures should be taken.

However, it is the responsibility of the national or State government to establish institutions that facilitate the enforcement of IP rights. The judiciary and, in some cases, administrative bodies such as IP offices or customs authorities are government institutions that may have to deal with infringement, piracy or counterfeiting cases.

Where border measures are available at the international border(s) of your country 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. According to the provisions of the applicable legislation, the customs authorities have to take action on their own initiative or on the request of the right-holder, or execute court orders.

Furthermore, in some countries, there are industry associations that assist their members in the enforcement of their IP rights (see www.bsa.org or www.riaa.com).

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The Role of the Government Authorities in the Enforcement of Intellectual Property Rights. Alastair Hirst. WIPO. 1999. Web page at www.wipo.int/sme/en/activities/meetings/pdf/ipr_ju_bey99_5b.pdf. Discusses the various methods by which different government authorities may enforce IP rights.

Business Software Alliance. Website at www.bsa.org. Information on legal aspects of digital works, and links to a number of country- and region-specific articles on IP-related issues such as IP and copyright, security and cybercrime, trade and e-commerce, EU policies, and position papers.

68. How can customs authorities help prevent or stop the violation of my intellectual property rights? Do I have to notify them in advance?

Many countries have implemented **border enforcement measures** in accordance with their obligations under the WTO Agreements. These measures allow trademark and copyright owners, and licensees, to request the detention of suspected pirated and counterfeit goods while they are subject to the control of the customs authorities.

Generally, however, border enforcement measures do not apply to goods imported by a person for his or her private or domestic use. The exact definition of the imported quantity that qualifies as 'goods imported for private or domestic use of a person' varies from country to country, and even within the same country, depending on the nature of the goods.

In some countries, the right-holder can request the assistance of the customs authorities by lodging notices, generally on payment of a prescribed fee, of their registered trademarks and goods subject to copyright protection. When a notice has been lodged, the customs authorities are able to detain unauthorized copies of trademarked goods or goods subject to copyright protection. In most countries, the right-holder has to lodge a complaint, providing all relevant details of the consignment concerned, every time the right-holder has reason to believe that pirated or counterfeit goods are being imported.

Customs authorities may detain goods subject to a notice for a period of up to 10 working days. Notices are valid for a specified period, after which they are renewable, or until the period of copyright protection or trademark registration expires. During this period, the importer may also apply to the court for a ruling that the goods do not infringe the trademark or copyrighted work, or are not covered by the notice.

In some countries, if the customs authorities become aware that suspected infringing goods have been imported and an applicable notice is not in place, they may inform the right-holders (if known) of the importation and advise them to lodge a notice with the customs authorities within a specified time frame.

Invariably, the right-holder is asked to complete a form of indemnity to cover costs that might be incurred by the customs authorities (such as storage, transport and legal costs) in enforcing notices.

Where goods are detained, the customs authorities notify the right-holders so that they can determine whether the goods are pirated or counterfeit. Only in the United States is this determination carried out by the customs authorities themselves. During this detention period, right-holders must also decide whether they will pursue proceedings to prove that the goods are infringing their rights – though a further 10-day period is available in some circumstances, on application providing supporting reasons. Suspected goods will be detained by the customs authorities pending the decision of the court. If a right-holder does not commence proceedings within the 10-day period, the customs authorities are required to release the goods to the importer.

Since IP protection is a complex issue, you may wish to consider obtaining specialist advice from a patent attorney, lawyer, etc. before lodging a notice.

REFERENCES

The WCO IPR Strategic Group. World Customs Organization. Website at www.wcoipr.org. Contains links to a world directory of customs legislation; online applications for customs protection; forms for download and guidance on how to apply; relevant presentations and published articles, and links to the REACT internet site which helps front-line officers to identify infringing goods.

United States Customs & Border Protection (CBP) IPR Enforcement.
Web page at www.customs.ustreas.gov/xp/cgov/import/commercial_enforcement/ipr/ipr.xml. Information on customs IPR enforcement in the United States.

69. What are my options for settling my intellectual property disputes out of court?

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 company have been violated by a number of 'competitors' in the same or different jurisdictions. In the latter situation, your enterprise 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. Arbitration generally has the advantage of being a less formal procedure than a court, and an arbitral award is more easily enforceable internationally. One advantage of mediation is that the parties retain control of the dispute resolution process. This can help to preserve good business relations with another enterprise with which you may wish to collaborate in the future. However, the decisions of mediators are not binding and therefore may lack the 'teeth' to solve a dispute.

Court litigation or alternative dispute resolution?

Depending on the merits of your case, mediation or arbitration may be a good alternative to court proceedings. These alternative options, however, are 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 have recourse to mediation 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 or arbitration. You may, however, wish to request the WIPO Arbitration and Mediation Center to contact the other enterprise involved in the dispute, 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 for or at least, in the case of mediation, a less expensive prelude to formal litigation. As part of your business strategy, your company 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

The WIPO Arbitration and Mediation Center is one of a number of institutions that you can approach for assistance in resolving an IP dispute without recourse to court proceedings. It provides a variety of services for the resolution of commercial disputes between private enterprises, including SMEs. The Center provides services in relation to:

- Arbitration (http://arbiter.wipo.int/arbitration);
- Mediation (http://arbiter.wipo.int/mediation);
- Disputes concerning domain names (http://arbiter.wipo.int/domains); and
- Other specialized services for the resolution of disputes (http://arbiter.wipo.int/center).

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WIPO Arbitration and Mediation Center. Website at http://arbiter.wipo.int/. Links and information on out-of-court dispute settlement options.

Dispute Resolution for the 21st Century. WIPO. www.wipo.int/freepublications/en/arbitration/779/779e.pdf. An overview of resources and services available through the WIPO Arbitration and Mediation Center.

Resolving IP disputes through ADR. J. Lambert. NIPC. 2002. Web page at www.nipclaw.com/lit/adr/ip.htm. Discusses alternative dispute resolution for IP disputes as an important mechanism; has links to other related resources.

Quality, technical regulations and standards

70. How does intellectual property relate to technical regulations and standards?

The International Organization for Standardization (ISO) defines a standard as 'a document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context'.

There are many types of standards, serving different purposes. They help to make life simpler and safer for consumers, they increase the reliability and the effectiveness of many goods and services, and they significantly facilitate trade. Standards are generally designed for voluntary use. However, laws and regulations may make compliance with certain standards compulsory. This may be the case particularly with standards relating to health, safety or the environment. If you are planning to sell products in other countries, it is essential that they conform to the health, safety and environmental standards of the countries in question. Most national standard-setting bodies or standards development organizations have a website where a list of existing standards can generally be found.[8]

Patents in standards and technical regulations

Standards are generally developed by technical committees comprising a number of stakeholders and experts in the field. During the development of technical standards, participants may draw the attention of the committee to the fact that there may be one or more 'essential patents' which are needed for meeting the standard, i.e. it would be impossible for someone to comply with the standard without infringing the patent. So the permission of the patent-holder would be needed and that would mean making a payment for using it under a licence agreement.

As a general rule, many standard-setting bodies discourage the use of proprietary or patented technology in standards; they support it only in 'exceptional cases' where justified by 'technical reasons'. In such cases, the patent holder of a technology considered to be crucial for meeting the requirements of a standard may be contacted by the technical committee of a standard-setting body and asked whether it agrees to negotiate licences with users of such standards on non-discriminatory and reasonable terms and conditions. There may also be cases in which, in order to comply with a given standard, you could choose from a series of alternative technologies, many of which include the use of patented technology.

What is crucial to understand is that in order to comply with a given standard or technical regulation you may have to use a patented technology. **In such cases, you would need to obtain a licence from the patent-holder**. On occasions, patent-holders may agree to grant royalty-free licences, but this may not always be the case.

Example

Different standard-setting bodies may deal with these types of situations in different ways. As an illustration, the Institute of Electrical and Electronics Engineers (IEEE) states that patented technology may be included in an IEEE standard provided there is technical justification.

REFERENCES

International Organization for Standardization (ISO). Website at www.iso.org.

[8] See www.iso.ch/iso/en/aboutiso/isomembers for a list of national standards-setting bodies.

An IEEE working group may send to the holder of the 'essential patent' a request for a letter of assurance. In the letter of assurance, a patent-holder may do one of three things:

- State that it will not enforce its patent against implementers of the standard.
- Offer a non-discriminatory royalty-free licence with reasonable terms and conditions.
- Offer a non-discriminatory licence with reasonable rates, terms and conditions.

IEEE working groups do not make assessments of the reasonableness of terms and conditions of a licence, and companies wishing to comply with the standard will need to negotiate a licence directly with the patent holder.

As an SME, you must know the rules of the game so that you are able to negotiate the best possible terms for such a proprietary technology, which is essential for meeting the requirements of a voluntary or compulsory standard.

De facto standards

As well as the formal standards set by a national or international standard-setting body, many *de facto* standards arise in the marketplace, especially in the area of electronics and information technology (e.g. in the case of Intel and Microsoft). In such situations, your firm may get 'locked in' to using proprietary or patented technologies if the development, manufacture, distribution or marketing of your product is dependent on the *de facto* standard technology. If you product is to include proprietary technology of any kind, you will need to seek authorization and sign a licensing agreement with the owner of the technology, even if it relates to a *de facto* standard. (If you find yourself 'locked in' and the holder of patents in such a *de facto* standard is no longer providing access to the patented technology or is doing so on unreasonable terms, then you may have to take action based on anti-competitive practice, which is actionable under a country's competition or anti-trust law.)

71. What is product certification? What is the role of certification marks?

Product certification

Product certification is defined as a 'procedure by which a third party gives written assurance that a product, process or service conforms to specified requirements'. Product certification involves the issue of a certificate or mark (or both) to demonstrate that a particular product meets a defined set of requirements for that product, usually specified in a standard. The **certification mark** is normally found on the product or its packaging and may also appear on a certificate issued by the product certification body. The mark carries a reference to the number or name of the relevant product standard against which the product has been certified.

A certification mark may be defined as a 'mark used to distinguish goods and services that comply with a set of standards and have been certified by a certifying authority'. The Woolmark symbol, which is a certification mark of the Woolmark Company, is a well-known example. The Woolmark is a quality assurance symbol denoting that the products on which it is applied are made from 100% new wool and comply with strict performance specifications set down by the Woolmark Company. It is registered in over 140 countries and is licensed to manufacturers who are able to meet these quality standards in 67 countries.

A demonstration of quality

A product bearing a mark carries a third-party guarantee that:

- The product has been produced according to an applicable standard;
- Production has been supervised and controlled;
- The product has been tested and inspected;
- If customers find that the marked product does not meet the declared standard, they can approach the certification body to resolve their complaint.

Product certification bodies use various evaluation techniques (most of which are dependent on testing of the product) when deciding whether or not to award a certificate. Some of the more comprehensive methods are:

- 'Type testing' of the product;
- Assessment of factory quality control and its acceptance;
- Surveillance visit to the factory, to audit factory quality control; and
- Testing of samples taken from the open market.

Ideally, product certification marks should demonstrate to consumers that the product meets and will continue to meet the generally accepted standard for that product or service. Other parties, such as regulators, may require the marks to demonstrate that the body that performed the product conformity assessment is competent to do so.

REFERENCES

General Requirements for Bodies Operating Product Certification Systems. ISO/IEC Guide 65. 1996. US$ 42. Available from the ISO Store at www.iso.ch/. Specifies general requirements for third parties operating a product certification system.

CE Marking. Website at www.ce-marking.org. Provides information on CE marking in Europe.

Reasons for certification

A need for product certification may arise for one or more of the following reasons:

- The *sellers* are anxious to build their reputation, expand their markets, improve competitiveness, promote new products, etc.
- The *purchasers* (individuals, stockists, manufacturers, public procurement officials, importers, etc.) want a guarantee of the quality of the products they buy.
- *Legislation* to protect consumers' health and safety requires products to carry a certification mark. For example, certain products appearing in the lists of European Union (EU) product regulations are required to bear the 'CE' mark, and certain electric or electronic products cannot be marketed in Canada unless they bear the Canadian Standards Association (CSA) mark.

Product certification carried out by third-party (i.e. independent of consumer, seller or buyer) certification bodies is most acceptable to purchasers, importers and regulatory authorities. Many national standard-setting bodies provide third-party product certification services, which include placing their certification mark on the product, along with the reference number of the national standard used as the criterion for testing the product. In some countries, product certification is also carried out by trade or industry associations, government institutions or private certification bodies – as is the case with product certification of electrical items by KEMA, a company in the Netherlands, or with certification of lubricants by the Lubricant Manufacturers Association in the United States.

ISO/IEC Guide 65:1996, *General Requirements for Bodies Operating Product Certification Systems,* gives requirements for ensuring the operation of third-party certification systems in a consistent and reliable manner. ISO/IEC Guide 65 helps product certification bodies to obtain acceptance nationally and internationally, thus furthering international trade and also fulfilling the requirements relating to conformity assessment of the WTO Agreement on Technical Barriers to Trade.

Valuation of intellectual property rights

72. Should I get a valuation of my intellectual property rights?

The increased recognition of IP as a business asset and tool that can significantly contribute to business success, and of the fact that the potential exists for enterprises to extract value from their IP portfolios, has led to a growing interest in the way IP rights might be valued.

Care should be taken here on the difference between the *price* and the *value* of an IP asset. Price is typically defined as what a buyer is willing to pay, in an arms-length transaction, based in the perceived value of the product. Value is an abstract, but deterministic quantity whose calculation is based upon an orderly tested set of methods and rules. In other words, while IP valuation may influence the pricing of an IP asset, it is not necessarily the same as the pricing exercise. The latter is usually influenced by many other factors, which include time, demand, reasons for selling and the negotiation skills of the parties involved.

The tools used for the valuation of IP assets can help enterprises to manage their IP portfolio more effectively and efficiently, and an IP valuation provides a useful yardstick and negotiating base in the event of assigning or purchasing IP assets.

Before an enterprise embarks on a valuation of its IP assets, the following questions should be answered:

- Why has it decided to value its IP rights?
- When will the information (the results of the valuation) be needed and used?
- Which IP rights are to be valued?
- What valuation method should be used?

Considerations when valuing your IP

The scope and the strength of the claims in a patent, or the strength of an IP asset, play an important role in the whole valuation exercise. Widely spread protection (protected in several countries) may enhance a product's value. However, this would also depend on the way the appraiser perceives the strength of IP enforcement mechanisms in the countries concerned.

The level of codification and how effectively one can use the codified information embodied in the product may also influence the valuation.

A high degree of difficulty in being able to infringe the product's IP rights can add to its value. On the other hand, the existence of alternative products that are also covered by strong IP protection may negatively affect the value of the product.

It is imperative, therefore, for an enterprise to perform a study that identifies the above-mentioned IP concerns, which can each have an impact (positive or negative) on the value of its products and its assets.

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List of Documents on IP valuation. WIPO. Web page at www.wipo.int/sme/en/documents/valuationdocs. Links to a series of documents on IP valuation, including issues to be considered and strategies.

Intellectual Assets: Valuation and Capitalization. United Nations Economic Commission for Europe. 2003. Web page at www.unece.org/ie/enterp/documents/valuationpub.pdf. Contains articles by various experts on the valuation and commercialisation of IP assets.

73. When and why should intellectual property rights be priced or valued?

For any enterprise, there can be many different reasons why it might be beneficial to conduct a valuation of IP assets: internal management of the IP portfolio, licensing, mergers or acquisitions, assigning (sale) of IP assets, purchasing of IP assets, entering into joint venture arrangements, establishing strategic alliances, fund-raising, investment in further development of an IP asset, etc. The particular reasons and the types of IP assets to be valued play an important role in influencing the valuation method to be used.

The value of an IP asset may differ depending on the method used. Other factors such as experience and the existence of data that enables a particular method to be used, may also influence the choice of valuation method.

An IP right (e.g. a patent) may be valued more highly if the selling or licensing period does not coincide with the introduction of a close substitute or an alternative and more efficient technology in the market. It is therefore important to have adequate knowledge of the trends in the industry or technology when undertaking a valuation exercise.

It is important for an enterprise to understand why it is necessary to value its IP and when to undertake the valuation exercise. A basic knowledge of the tools used for valuation can be useful in choosing, and deciding upon, the most appropriate professional help. See question 74.

REFERENCES

Selection and Application of Intellectual Property Valuation Methods In Portfolio Management and Value Extraction. S. Khoury, J. Daniele and P. Germeraad. Inavisis. Web page at www.inavisis.com/articles/portfoliomanagement.pdf. An overview of different methods of valuation of IP and the criteria applied for their selection.

List of Documents on IP valuation. WIPO. Web page at www.wipo.int/sme/en/documents/valuationdocs. Links to a series of documents on IP valuation, including issues to be considered and strategies.

74. How can intellectual property assets be valued?

There are several ways of carrying out a valuation of IP assets. Each method has its pros and cons and some are more applicable than others to certain cases and situations. The following are the valuation methods most widely used at the present time.[9]

- **Income method**. This is the most commonly used IP valuation method. There are several variations of the income method and sometimes the variations are referred to as separate methods. The method basically focuses on the expected income stream that the holder of the IP right would get during the lifetime of the IP right, hence the use of cash flow discount to establish the present value of a future flow of income. The income stream can also be estimated by looking at the amount that an enterprise would save in licensing royalties if it were to get a licence for using a particular IP right. The method's primary shortcoming is its complexity. The main variation of this method is:

  Royalty relief. In this variation, the flow of royalties is calculated in order to estimate the expected cash flow/profit or capitalization of the average profit/cash flow. The royalty rate can be determined by using existing rates used in similar types of arrangement (licensing) or existing data from tables of standard royalty rates.

- **Cost method.** This approach seeks to measure the future benefits of IP assets by calculating the amount of money that would be required to replace the IP in question. The cost method can also be applied in variations:

  – **Cost of reproduction**. With good record-keeping, reproduction costs can be calculated by taking the aggregate cost, at the current price, of the amount used to develop the IP asset in question (this is known as historical cost trending). In the absence of good records, reproduction costs can be estimated by directly calculating the cost of the efforts and expenditure needed to create a similar asset.

  – **Replacement cost**. The amount of money needed to acquire IP assets of the same utility. Depreciation of the IP asset concerned must be deducted from the estimated reproduction/replacement cost before an estimated value/price is finally reached.

  The cost method is useful when considering IP rights embodied in intangible assets such as computer software, engineering drawings, packaging designs and distribution networks. It is often used as a supplement to the income method. Its main weakness is the strong chance of ending up with misleading results. This is because, in most cases, the cost associated with the development of something is not necessarily directly related to its value. This is particularly evident in respect of R&D activities.

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Intellectual Assets: Valuation and Capitalization. United Nations Economic Commission for Europe. 2003. Web page at www.unece.org/ie/enterp/documents/valuationpub.pdf. Contains articles by various experts on the valuation and commercialisation of IP assets.

IPScore®. Danish Patent and Trademark Office. Website at www.ipscore.com. Provides an overview of IPScore® methodology for valuation, and information on various types of reports and management of IP assets.

Market approach. This approach is based on what a third party would be willing to pay in order to buy or rent an IP asset. This method can also be used as a supplement for the income method. However, it should be noted that some enterprises consider it to be the best method because of its simplicity and use of market information. The deficiency of the method is that it does not provide any insight into how to deal with individual features of specific transactions. Like other valuation methods, the market approach also has its variations, which include:

- **Comparison-of-sales method**. The users of this variation base the valuation of an IP asset on the valuation of a similar IP asset in the market. The main shortcoming of this method is that since each IP asset transaction is unique, it is almost impossible to come across an exactly similar deal on which to base a new valuation.
- **Use of standard royalty rates**. This method uses established standard industrial royalty rates. There are some industries where royalty rates have voluntarily been established and used for some years.

- **(Option pricing-based methods**. These are generally used in the valuation of the market value of share options. Appraisers of IP assets (in particular patents) in the technology sector and in pharmaceutical industries are using these methods increasingly. While other 'risk neutral' valuation methods exist, option pricing is considered more powerful. As with other IP valuation methods they also have their variations, which include the Black-Scholes option pricing method, Technology Risk-Reward Units (TRRU®) and the **IPscore®**, developed by the Danish Patent and Trademark Office and available online at www.ipscore.com.

The main problem with the option-based methods is their relative complexity.

Financing

75. How can intellectual property help me finance my business?

Intellectual property (IP) assets may help you to strengthen your case for obtaining business finance from investors.

In undertaking an appraisal of the request for equity assistance or loan, the investor (be it a bank, a government fund, a venture capitalist, or a business angel) will assess whether the product or service offered by your company has a true market potential. In assessing a business or export plan they will seek evidence that:

- The technology is not already on offer in the market (or at least not at a lower price)
- There is likely to be demand for the product, and
- You will not run into major obstacles (legal or otherwise) that will prevent you from being able to commercialize your product.

Presenting a solid IP strategy with documentation on applications for IP rights, information on patent searches proving that your technology is unlikely to infringe patents owned by competitors, and (licence) agreements with patent owners authorizing you to use technology that is needed to commercialize a given product, will generally be required for securing equity investment from venture capitalists. Ownership of IP rights over the creative output or innovations related to the products or services that an enterprise intends to market, guarantees a certain degree of exclusivity and, thereby, a higher market share if the product or service proves successful among consumers.

IP ownership thus plays an important role in convincing investors or 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.

Different investors or 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 greater reliance on IP assets as a source of competitive advantage for firms. Thus, investors and lenders are focusing more and more on firms with a well-managed IP portfolio, despite the fact that they encounter, even in the developed countries, many new problems and issues while trying to perfect security interests in IP.

REFERENCES

Can Your SME Use Intellectual Property Assets for Financing? WIPO.
Web page at: www.wipo.int/sme/en/ip_business/finance/ip_assets_financing.htm. Discusses the use of IP as a financial instrument.

76. Can intellectual property assets be securitized?

Lending partly or wholly against intellectual property (IP) assets is a recent phenomenon, which has only really developed in a few countries and in a few very specific markets.

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 claims 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 examples of securitization of recent years involved the royalty payments in the United States of the singer David Bowie.

At present, the markets for IP asset-based securities are small, because the universe of buyers and sellers is limited. The market generally favours tangible assets over intangible assets. As markets for IP are largely underdeveloped, and techniques for IP valuation are not sufficiently accurate, values cannot be estimated with confidence. In addition, IP (particularly patents) generally requires specialist knowledge in a given field of technology to be properly understood and exploited, and lenders often lack such expertise.

As more cash flows are generated by IP, however, more opportunities will be created for securitization. Market developments are already improving the quality and quantity of information available to both borrowers and lenders. For example, the growing number of technology-based businesses, particularly in sectors such as biotechnology or software, rely on IP rights as their main assets and sources of revenue. Similarly, the total amounts of licensing revenues are increasing and the resulting use of royalty streams arising from licences are being used to determine the value of IP.

A number of government venture funds are also beginning to accept IP assets as collateral for venture funding.

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Security Interests in Intellectual Property: An International Comparative Approach. Howard P. Knopf. Law Commission of Canada. Web page at www.lcc.gc.ca/en/themes/er/fsi/knopf/knopf.pdf.

Securitization and Valuation of Intellectual Property. PricewaterhouseCoopers. 2002.
Web page at www.pwcjp-tax.com/eg/library/gets/21/2107e.pdf. An overview of securitization and valuation of IP from an IP finance perspective.

E-commerce and use of information technologies

77. Why should I consider intellectual property issues in undertaking e-commerce?

IP is a crucial element of e-commerce. More than other business systems, e-commerce often involves selling products and services that are based on IP and its licensing. Music, pictures, photos, software, designs, training modules, systems, etc. can all be traded through e-commerce, and IP is the main component of value in the transaction. IP is also important because the things of value that are traded on the Internet must be protected, using technological security systems and IP laws, otherwise they can be stolen or pirated and whole businesses can be destroyed.

IP is also involved in making e-commerce work. The systems that allow the Internet to function – software, networks, designs, chips, routers and switches, the user interface, and so on – are often protected by IP rights. Trademarks are an essential part of e-commerce business because branding, customer recognition and goodwill – the essential elements of a web-based business – are all protected by trademarks and unfair competition law.

E-commerce and Internet-related businesses may also be based on product or patent licensing. This is because so many different technologies are required to create a product that companies often choose to outsource the development of some components, or share technologies through licensing arrangements. If every company had to develop and produce all the technological aspects of its products independently, the development of high-tech products would be impossible. The economics of e-commerce depends on companies working together to share, through licensing, the opportunities and risks of business. Many of these companies are SMEs.

And finally, a great deal of the value of e-commerce-based businesses is usually held in the form of IP – so the valuation of an e-commerce business will be affected by whether it has protected its IP rights. Many e-commerce companies, like other technology companies, have **patent portfolios**, **trademarks**, **domain names**, **software** or **original databases** that are by far their most valuable business assets.

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Intellectual Property on the Internet: A Survey of Issues. WIPO. 2002. Web page at http://ecommerce.wipo.int/survey. Discusses the far-reaching impact that digital technologies, the Internet in particular, have had on intellectual property (IP) and the international IP system.

eBusiness lex.net. Website at www.ebusinesslex.net. Portal offering European companies, in particular SMEs, information on all legal aspects of e-business.

A Legal Guide to the Internet. Fourth Edition. Merchant and Gould and the Minnesota Department of Trade and Economic Development. 2002. Free. Minnesota Small Business Assistance Office, 500 Metro Square, 121 Seventh Place East, St. Paul, MN 55101, United States. Tel: +1 651 296 3871. Web page at www.merchantgould.com/attachments/11.pdf. Discusses IP issues that arise when operating on the Internet. Covers IP and legal issues in use of e-mail and e-video, e-commerce, related to domain names, use of trademarks, patents, and copyright on the Internet, with other contractual and employment related issues, mainly from a United States perspective.

78. What are the intellectual property issues involved in choosing and registering domain names?

Domain names are Internet addresses, and are commonly used to identify and find websites. For example, the domain name 'wipo.int' is used to locate the WIPO website at www.wipo.int. Over time, domain names have come to constitute business identifiers, thereby coming into conflict with trademarks. It is important, therefore, to pick a domain name that is not the trademark of another company, or a well-known mark.

The choice of a **domain name** (or Internet address) has become one of the most important business decisions a company can make. A domain name is registered by you to enable Internet users to locate your company's site on the World Wide Web. Company domain names may be registered in any number of 'top level domains' (TLDs). You can choose from the 'generic top level domains' (gTLDs), such as .com, .net, .org and .info. Or you can choose from the specialized and restricted top level domains if you qualify (e.g. .aero for air travel and transport businesses, or .biz for commercial enterprises).

You can also register your domain name under a 'country code top level domain' (ccTLD), for example: .bn for Bulgaria, .cn for China, .ch for Switzerland.

The technical management of the domain name system is in the hands of the Internet Corporation for Assigned Names and Numbers (ICANN). However, in the gTLDs, the registrations themselves are handled by a number of Internet registrars accredited by ICANN. These can be found at ICANN's site at www.icann.org. You can also check whether a domain name has already been registered, either by searching a registrar's site, or by using a 'Who is' search, such as that at www.uwhois.com.

For registrations in the ccTLDs, you will need to contact the registration authority designated for each ccTLD. For this, consult a ccTLD database set up by WIPO, that links to the websites of 243 ccTLDs, where you can find information about their registration agreement, the 'Who is' service and dispute resolution procedures.

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A Legal Guide to the Internet. Fourth Edition. Merchant and Gould and the Minnesota Department of Trade and Economic Development. 2002. Free. Minnesota Small Business Assistance Office, 500 Metro Square, 121 Seventh Place East, St. Paul, MN 55101, United States. Tel: +1 651 296 3871. Web page at www.merchantgould.com/attachments/11.pdf. Discusses IP issues that arise when operating on the Internet. Covers IP and legal issues in use of e-mail and e-video, e-commerce, related to domain names, use of trademarks, patents, and copyright on the Internet, with other contractual and employment related issues, mainly from a United States perspective.

The Internet Corporation for Assigned Names and Numbers (ICANN). Web page at www.icann.org/faq. Answers to frequently asked questions on domain name registrations, including IP issues.

Domain name disputes. WIPO. Web page at http://arbiter.wipo.int/center/faq/domains.html#b. A range of documents on domain name disputes and how to resolve them.

79. What should I consider when choosing a domain name?

Depending on where you register, you may pick a commonly used generic name, but if you choose a name that is distinctive, users are more likely to be able to remember and search for it more easily. Ideally, it should be distinctive enough also to be protectable under trademark law, because domain names can be protected as trademarks in some countries. If you pick a very common phrase as your domain name (e.g. 'Good Software'), your company could have difficulty in building up any special reputation or goodwill in this name and even more difficulty in preventing others from using your name in competition.

You should pick a domain name that is not the trademark of another company, particularly a well-known mark. This is because most laws treat domain name registration of another person's trademark as trademark infringement (also known as 'cybersquatting') and your company might have to transfer or cancel the domain name, as well as pay any damages. All domain names registered in the gTLDs category, such as .com, and many registered in the ccTLDs are subject to a dispute resolution procedure (described below) that allows a trademark or service-mark owner to prevent 'cybersquatting' of their trademark.

There are various databases that you can search on the web to determine if your choice of domain name is a registered trademark in a particular country. WIPO has established a trademark database portal (at http://ecommerce.wipo.int/databases/trademark) to help you carry out this search.

If you find that someone else is using your trademark or service mark as a domain name, there is a simple online procedure you can go through where an independent expert will decide whether the domain name should be returned to you, and the registrars are required to follow this decision. You can find information on this Uniform Administrative Dispute Resolution Policy (UDRP) at the WIPO site http://arbiter.wipo.int/domains.

In addition to trademarks, it is wise to avoid domain names that include certain other controversial words such as geographical terms (e.g. Champagne, Beaujolais), names of famous people, generic drug names, names of international organizations and trade names (e.g. name of another person's business) that might interfere with the rights of others or international systems of protection.

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The Universal 'Who is' for Internet Domain Names. Website at: www.uwhois.com. Search engine to identify the registered holder of a domain name.

80. What intellectual property issues should I consider when I design and build my company's website?

One of the basic elements of e-commerce is the design and function of the company website. **In designing and building your website, the first thing to be aware of is whether you own the website presentation and content and every aspect of IP in it.** You may not, but this is not necessarily a problem. What is important is to know what you own, what you have rights to use, and what you do not own or have rights to use. If you are using a consultant or specialist company to design your website, check out the provisions in the agreement concerning ownership and IP rights. Who owns the website design and text? Check out exactly what obligations the company has and ensure it does not use, in the course of its work, any IP that belongs to a third party.

If you are using a database, software, a search engine or other technical Internet tools licensed to you by another company, check the terms of the licence agreement to see who owns the system, whether you are allowed to make modifications to the system and who owns such modifications. Make sure that you do have a written agreement, and get it checked by a lawyer before you sign it and before any design, custom work or installation of the site begins.

You will need written permission (also referred to as a licence, a consent or an agreement) to use any photos, videos, music, voices, art work, or software, etc. that belong to someone else. Just because you find material on the Internet does not mean that it is in the public domain. You may have to pay for permission to use this material. In many countries you will need to communicate with a collecting society or association of artists in order to get permission.

Do not distribute from, or download onto, your website any content or music that does not belong to you, unless you have obtained written permission from the owner to distribute it on the Internet.

Hyperlinks

Take care when linking to other websites. Links are a great e-commerce tool, and a useful service to your customers, but in many countries there is no clear law on when and how you can use links. The safest practice is to seek and obtain permission from the other site before putting in the link, especially if you are 'deep-linking' i.e. linking to a page on another website that is not the homepage.

Framing

Framing is a practice that is more controversial than linking. It means including parts of another website in your website in a way that makes it look as though it is part of your site. Always get written permission before doing this.

REFERENCES

A Legal Guide to the Internet. Fourth Edition. Merchant and Gould and the Minnesota Department of Trade and Economic Development. 2002. Free. Minnesota Small Business Assistance Office, 500 Metro Square, 121 Seventh Place East, St. Paul, MN 55101, United States. Tel: +1 651 296 3871. Web page at www.merchantgould.com/attachments/11.pdf. Discusses IP issues that arise when operating on the Internet. Covers IP and legal issues in use of e-mail and e-video, e-commerce, related to domain names, use of trademarks, patents, and copyright on the Internet, with other contractual and employment related issues, mainly from a United States perspective.

Intellectual Property on the Internet: A Survey of Issues. WIPO. 2002. Web page at http://ecommerce.wipo.int/survey. Discusses the far-reaching impact that digital technologies, the Internet in particular, have had on intellectual property (IP) and the international IP system.

81. How can I protect my intellectual property rights on the web? What precautions can I take to avoid violating the intellectual property rights of others?

In recent years, there has been much publicity about the unlawful distribution of IP-protected music, films, art, photos, scripts, and software ('content') on the Internet. These unauthorized downloads often violate national laws of copyright.

It is important to protect your IP rights on the Internet. This can be done in a number of ways. Always clearly identify your content, with either a copyright notice or some other indication of ownership. You may wish to simply tell users what they can and cannot do with your content. **Never distribute or permit downloads of third party content that does not belong to your company, and put in place programmes to make sure that your employees understand your company policies in this regard.**

The Napster case in the United States puts an international spotlight on the unauthorized downloading of music files. The case, which resulted in the court issuing a permanent injunction preventing Napster from operating its file-sharing system, was a 'contributory infringement' case because the claim was that Napster facilitated illegal copying by users of the system, not that Napster copied the files itself. Other cases will continue to test the law in this area, and there may be different issues and different results in different jurisdictions, but the lesson of Napster is that it is important for an e-commerce company to make sure it has a clear policy against unauthorized copying of files, or any actions that encourage or facilitate such copying.

Increasingly, some companies are using technical means to protect content on the Internet by **watermarking, encrypting** or otherwise creating identification and tracking systems. **Electronic copyright management systems** are being proposed by business consortia and individual companies, who see these systems as a way to use technical means to control use of content.

REFERENCES

A Legal Guide to the Internet. Fourth Edition. Merchant and Gould and the Minnesota Department of Trade and Economic Development. 2002. Free. **Minnesota Small Business Assistance Office, 500 Metro Square, 121 Seventh Place East, St. Paul, MN 55101, United States. Tel: +1 651 296 3871.** Web page at www.merchantgould.com/attachments/11.pdf. Discusses IP issues that arise when operating on the Internet. Covers IP and legal issues in use of e-mail and e-video, e-commerce, related to domain names, use of trademarks, patents, and copyright on the Internet, with other contractual and employment related issues, mainly from a United States perspective.

Legal Aspects of Electronic Rights Management Systems. Séverine Dusollier. Centre de Recherches Informatique et Droit, University of Namur. Web page at www.droit.fundp.ac.be/Textes/Dusollier%204.pdf. Discusses the importance of and need for regulatory mechanisms for electronic rights management systems.

Packaging and labelling

82. How may I obtain exclusive rights over the use of my packaging or label?

With the exception of a limited number of items, such as raw materials in bulk, automobiles and furniture items, most products are distributed in packages. Packaging refers to the appearance of labels, wrappers, and containers used in packaging the product. Packaging is important in order to:

- Facilitate storage and transport;
- Promote better utilization of transport equipment;
- Provide product protection;
- Promote the sale of the product;
- Facilitate the use of the product;
- Provide re-use value for the customer.

Labels

Labels are materials attached to a product to identify it or give instructions or details concerning its ownership, use, nature, destination, etc. Listed below are some of the most common requirements for, and functions of, labelling:

Product labelling will usually describe raw material content, the provider of the product and the country of origin (in some markets, such descriptions are legally required). There may also be a product name and code number.

Care labels are increasingly important for many types of products. A brief description of care and maintenance of the product by the consumer is common. In the case of textile products, washing instructions are detailed. They are carefully studied by consumers during purchase and in use.

Shipping warning labels are used on consignment packs: 'This way up', 'Fragile', 'Heavy', etc. These are set to international standards.

IP in labelling and packaging

Many elements of labelling and packaging are protected by IP rights. When making labelling or packaging decisions it is essential to consider the relevant IP rights and to decide when and how to protect them. Below is a summary of the key aspects that should be considered.

- Words, letters, names, slogans, drawings, designs, symbols, pictorial matters, or a combination of these, used in labelling or packaging, can be protected as **trademarks** if they are used to identify or distinguish the source of goods or services.

REFERENCES

Trade Dress. International Trademark Association. Web page at www.inta.org/tradedress. Basic information on trade dress and 'non traditional trademarks'.

Product Makers Can Protect Their Trade Dress. Sheldon and Mak. 1995. Web page at www.usip.com/articles/trdedrss.htm. Discusses what constitutes trade dress and how to protect it through IP.

The Problem with Patented Packaging. In *Packworld*, August 2001.
Web page at www.packworld.com/cds_print.html?rec_id=13528. Discusses United States court rulings on validity of trade dress when validity of patents run out.

- Companies may also use **collective marks** on their labelling and packaging in order to jointly market the products of a group of companies and enhance product recognition, or use **certification marks** to certify that their products comply with a pre-established set of standards. Collective and certification marks may both be used together with the individual trademark of the company.

- Some products from distinct geographical origins may be labelled, packed and advertised under **geographical indications**, where the products in question have a given quality, reputation or other characteristic, which is attributable to their geographical origin and has been duly protected as a geographical indication. For certain products (such as wine and spirits) it is important that exporters take great care not to include terms on their labels or packages that are protected as geographical indications (e.g. 'Tequila', 'Champagne', 'Chianti') unless their products have been certified by the relevant body as products entitled to use the geographical indication.

- On occasions, a label may include pictures, drawings or other works of art or applied art that may be protectable under copyright law.

The design of the packaging may be protected, in different countries, under one or more of the following IP rights:

- The shape and design of the product packaging (i.e. the ornamental or aesthetic aspect of the product packaging) may be protected as an **industrial design**. See question 26.

- The shape and packaging of products may also be considered *distinctive* (meaning that it distinguishes the product from those of competitors) and may therefore also operate and be registered as a three-dimensional **trademark**. (See question 18.) A famous example is the shape of the Coca-Cola bottle or the Orangina bottle which are protected as three-dimensional trademarks.

- Finally, in a few countries (e.g. the United States), a product's distinctive packaging may be protected as **trade dress** in order to prevent competitors from using confusingly similar features. Trade dress generally protects the total image of the product and can include colour schemes, textures, sizes, designs, shapes, and the placement of words, graphics, and decorations on a product or its packaging.[10]

- If the packaging has innovative functional features it may be protected by patents or utility models. See question 8.

[10] Trade dress is a category of IP rights that has not been covered in this guide. It applies to a very limited number of countries. The term 'trade dress' refers, in general terms, to the 'look and feel' of a product or its packaging.

The World Trade Organization (WTO)

83. What do WTO Agreements say about intellectual property?

The World Trade Organization (WTO) is an international body dealing with international trade rules. It aims at facilitating trade among countries by creating conditions of competition that are fair and equitable. To this end, it encourages countries to enter into negotiations for the reduction of tariffs and the removal of other barriers to trade, and requires them to apply common sets of rules to trade in goods and services.

One set of these rules, pertaining to intellectual property, is contained in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (or the 'TRIPS Agreement').

The TRIPS Agreement, which is binding on all Members of the WTO, is an attempt to narrow the gaps in the way these rights are protected around the world, and to bring them under common international rules setting what are generally referred to as 'minimum norms and standards' of IP protection. As the TRIPS Agreement requires compliance with those norms and standards, Members may need to enact or modify their legislation, rules and procedures to regulate the registration, granting, enjoyment and enforcement of IP rights accordingly. When there are trade disputes over IP rights relating to the provisions of the TRIPS Agreement, the WTO dispute settlement system is available. The agreement covers five broad areas:

- How the basic principles of the international trading system and of other international IP agreements should be applied;
- How to give adequate protection to IP rights;
- How countries should enforce IP rights adequately in their own territories;
- How to settle disputes on IP between member States of the WTO; and
- Transitional arrangements during the period when the new system is being introduced.

While it may be useful for enterprises to understand the basic rules of the game on IP at an international level for the purposes of trading in IP-protected goods and services, it is the national or regional IP laws that provide the bases for registration, granting, exploitation and enforcement of IP rights. So, as an SME, your primary focus should be on the national and regional legislation(s) applicable either in your own country or in other countries to which you may be exporting or in which you have strategic business relationships.

REFERENCES

World Trade Organization. Website at www.wto.org. Under the item Trade Topics, links to a wide range of materials on trade-related aspects of intellectual property.

84. Are the standards of protection of intellectual property rights provided by the TRIPS Agreement already applicable in all Members of the WTO?

When the WTO Agreements took effect on 1 January 1995, developed countries were given one year to ensure that their national IP laws and practices were in conformity with the requirements of the TRIPS Agreement. Developing countries and (under certain conditions) transition economies were given five years (to 1 January 2000) and least-developed countries 11 years (to 1 January 2006), later extended by a further 10 years for certain products (to 1 January 2016).

In addition, at the time when the TRIPS Agreement entered into force on 1 January 1995, a number of developing countries did not offer patent protection for products in certain sectors, for example in the pharmaceuticals and chemicals fields. Where this was the case, the Agreement allowed up to 10 years (to 1 January 2005) to introduce such protection. However, for pharmaceutical and agricultural chemical products, the filing of patent applications had to be accepted in those countries from the beginning of the transitional period, though the patent need not be granted until the end of this period. Thus, companies wishing to apply for patent protection for those technological areas in such countries may do so, but protection will not be granted until January 2005 at the latest.

REFERENCES

A unique contribution. World Trade Organization. Web page at http://www.wto.org/english/tratop_e/trips_e/tripfq_e.htm#Transition. More information and links on the transition periods applicable for different groups of countries with regard to the provisions of the agreement on TRIPS.

85. What are the main principles of the TRIPS agreement and how does this affect companies' decision-making on the acquisition of intellectual property rights abroad?

As with other WTO Agreements, the principle of non-discrimination is a prominent feature of the TRIPS Agreement. Implementation is through national treatment and most-favoured nation treatment. **National treatment** (i.e. the principle by which, in commercial terms, a country must extend the same treatment to persons from other countries as it does to its own nationals) is important because it ensures that companies interested in obtaining protection for their IP in overseas markets will obtain the same level of protection (e.g. duration and scope) as nationals of that country.

Most-favoured nation (MFN) treatment (the principle by which equal treatment must be given to nationals of all the trading partners in the WTO) is also included in the TRIPS Agreement, thus guaranteeing that all companies obtain an equal level of protection for their IP in any given market. So, if a country provides certain IP benefits to enterprises from one WTO Member, then, because of the MFN principle enshrined in the TRIPS Agreement, that country has to provide the same IP benefits to the companies from all other WTO Members. Regional trade agreements (RTAs), however, are an agreed exception to this MFN principle.

The TRIPS Agreement provides what are generally referred to as 'minimum norms and standards' for the protection of IP rights. What this means is that Members are free to determine the appropriate method of implementing the provisions of TRIPS within their own legal system and practice, and may implement more extensive protection than is required. For example, while the TRIPS Agreement provides for copyright protection for 50 years from the year of death of the author of a work, a large number of countries in fact provide for protection for 70 years after the death of the author.

REFERENCES

Principles of the Trading System. World Trade Organization.
Web page at: www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm. An easy-to-understand overview of the principles of national treatment and most-favoured-nation treatment, and links to further articles and resources.

86. How does the TRIPS Agreement deal with enforcement of intellectual property rights?

According to the TRIPS Agreement, governments have to ensure that IP rights can be enforced under their laws, and that the penalties for infringement are tough enough to deter further violations. The procedures must be fair and equitable, and not unnecessarily complicated or costly. They must not entail unreasonable time limits or unwarranted delays. People involved should be able to ask a court to review an administrative decision or to appeal to a lower court's ruling.

The Agreement describes in some detail how enforcement has to be handled, including rules for obtaining evidence, provisional measures, injunctions, damages and other penalties. It says courts must have the right, under certain conditions, to order the disposal or destruction of pirated or counterfeit goods. Wilful trademark counterfeiting or copyright piracy on a commercial scale must be criminal offences. Governments have to make sure that IP right-holders can receive the assistance of customs authorities to prevent imports of counterfeit and pirated goods.

For more on enforcement, see question 66.

REFERENCES

World Trade Organization. Web page at www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs. A summary of the WTO Agreements. Includes the Agreement on TRIPS Including Trade in Counterfeit Goods; also summarizes Part III of the Agreement, which sets out the obligations of member governments to provide procedures and remedies under their domestic law to ensure that intellectual property rights can be effectively enforced by foreign right holders as well as by their own nationals.

87. How does the dispute settlement procedure work in the WTO and how can my company make use of it?

WTO Members have agreed that if they believe fellow Members are violating WTO-administered trade rules, including the TRIPS Agreement, they will use the multilateral system of settling disputes before taking action unilaterally. That means abiding by the agreed procedures, and respecting judgements.

Typically, a dispute arises when one Member adopts a trade policy measure or takes some action or inaction that one or more fellow WTO Members consider to be breaking the WTO Agreement, or to be a failure to live up to its obligations. A third group of countries can declare that they have an interest in the case and enjoy some rights.

The WTO Agreement introduced a structured process for dispute settlement with clearly defined stages in the procedure. It introduced discipline for the length of time a case should take to be settled, with flexible deadlines set for various stages of the procedure. The Agreement emphasizes that prompt settlement is essential if the WTO is to function effectively. It sets out in considerable detail the procedures and the timetable to be followed in resolving disputes.

Companies facing problems in an overseas market that are believed to be caused by the failure of the country to meet its obligations under the TRIPS Agreement may inform their government, who may in turn decide to present the case for dispute resolution under the WTO. This may be a cumbersome process because it requires action from the government (individuals or companies cannot take a dispute settlement case to the WTO). Nevertheless, the dispute settlement mechanism provides a framework for ensuring that countries comply with their obligations under the TRIPS Agreement.

REFERENCES

A unique contribution. World Trade Organization. Web page at www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm. An overview of the dispute settlement mechanism in WTO, with case studies.

Appendices

Appendix I

ITC Survey on frequenty asked questions of enterprises on intellectual property

A. Letter of invitation to prospective participants

Dear Colleague,

The International Trade Centre UNCTAD/WTO (ITC) wants to know what your most frequently asked questions are in the area of intellectual property. Your questions will be compiled into a master list of common questions. From this list, we will select and answer over 100 of the most commonly asked questions, resulting in a publication made in collaboration with the World Intellectual Property Organization (WIPO), 'Secrets of Intellectual Property'.

This is a UNIQUE opportunity for you to get the answers you really need from an expert, and a chance to see the response to questions companies are asking. We urge you to respond to this short 3-question long survey at the earliest. As we have done in our past ITC 'Trade Secrets' series of publications, we will not only acknowledge your contribution in the publication, we will also send you a free copy of the finished publication if you send in your questions.

On lines similar to ITC's successful series of publications called 'Trade Secrets', this publication will serve as a practical, reference guide for small and medium-sized enterprises especially in developing countries and economies in transition. The book will be structured in a one-page question, answer and reference format, and will answer about 100 common questions asked by SME managers in your industry sector. (For more on ITC's Trade Secrets series of publications see www.intracen.org/ec/guides/welcome.htm)

We also seek to identify what type of information, training, publication, CD-ROM based tools, or other source of assistance is needed by SMEs in the area of intellectual property. Finally, we will attempt to identify the most commonly utilized resources a firm contacts when attempting to answer these questions.

You have been identified by ITC's partner organization in your country, as a select group of individuals to participate in this very important survey. We are very much interested in your opinions on what should be included in this upcoming publication.

Please, take some time from your busy schedule to answer the following three questions. If you respond, we will send you a free copy of the publication and list your name and title in the publication.

Please return your answers to the following questions to me at Menon@intracen.org,

phone: +41 22 730 05 84; fax: +41 22 730 05 76; Regular post: Division of Trade Support Services International Trade Centre UNCTAD/WTO, Palais des Nations, CH-1211 Geneva 10, Switzerland.

ITC

The International Trade Centre UNCTAD/WTO (ITC) is the focal point in the United Nations system for technical cooperation in trade promotion with developing countries. ITC works with developing countries and economies in transition, and particularly with their business sectors, to set up trade promotion programmes for expanding their exports and improving their import operations. ITC's focus areas are: Facilitating integration into the multilateral trading system; Designing trade development strategies; Reinforcing trade support institutions; Improving sectoral trade performance; Building enterprise competitiveness. For more information on ITC, contact us or refer to the ITC website www.intracen.org

Question 1

What are the five most common questions you have in the field of intellectual property? Please think of trademarks, patents, copyrights, franchising agreements, protecting your brand name, or acquiring IP rights on your innovations etc.).

1.

2.

3.

4.

5.

Question 2

Please let us know what type of information, training, publication, or source of assistance you need as a small and medium-sized enterprise to understand business related intellectual property issues and use it to your advantage:

1. Information on…

2. Training programme on…

3. Publication on / CD-ROM on…

4. Any other source of assistance…

5. Technical assistance on…

Question 3

Where would you go to find answers to your questions or seek assistance on intellectual property and related issues?

1. The organizations I would contact are:

2. I would ask the following individual/s:

3. I would use the following publication or website….

In your answer, please include your name and title, the name of your firm or organization, and its postal address to enable us to acknowledge your participation in the publication and send you a free copy of the final publication.

On behalf of ITC, we sincerely appreciate your taking the time to be part of this important initiative by offering your valued opinion.

Sincerely,

Hema Menon
Associate Adviser on Competitiveness Improvement of SMEs
International Trade Centre, Geneva

B. Participants

Francisco José Menendez Chiu, Gerente General, Conservas y Congelados Yaesta S.A., Guatemala

Carlos Rafael de J. Arana M., Gerente General, Prepac Centroamericana, S.A., Guatemala

Marco Tulio Molina Tejeda, Director Ejecutivo, Gremial de Fabricantes de Productos Químicos para la Agricultura Adscrita a la Cámara de Industria de Guatemala, Guatemala

Ramiro Estuardo Muralles Araujo, Gerente General, Laboratorios Intecfa, Guatemala

Thomas James, Director General, SEPROFIN, S.A. de CV, Mexico

Hector Jimenez, Gerente General, Chechent Chairs, S.A. de CV, Mexico

Carolina Cuéllar Ureña, Departamento de Marketing, Munsa Molinos SA de CV, Mexico

Bruno Giesemann Gversbusch, Propietario, Finca Argovia, Mexico

C. P. Artemio Fco. Roblero Gonzalez, Gerente General, Productores Indigenas Serranos Dechiapas, Aric, Mexico

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Ing. Amberto Bautista Blanca, Representante Legal, Integradora de Frutas Finas Soconusco, SA de CV, Mexico

Jorge Cacho Chacon, Gerente Administrativo, CARROCERA, SPR DE RL, Mexico

Jean-Pierre Goffings, Director General, FINCAS MARINAS DE TRIS S.A. de C.V., Mexico

Marco Antonio Magaña Acevedo, Consultor, CASAT, Mexico

Angélica Vázquez M., Director, Irenka Cosméticos S.A de C.V., Mexico

Humberto Cervantes, Administrador General, Acuícola Santa Rosalía, Mexico

Luis Miguel López Moreno, Director General, Grupo Griska, S.A. de C.V., Mexico

Alfonso Sanz Gómez, Director General, MAPRESA Comercial, S.A. de C.V., Mexico

Eduardo Rico Cárdenas, Director, ProduVida, Bases Móviles para Macetas, Mexico

Mario Arnulfo Cerda Rodríguez, Presidente, Dirección Estratégica Corporativa, S.A. de C.V./Diestraliqueurs, Mexico

Jaqueline Mosqueda Rodríguez, Gilberto Macias Zavala, Desarrollo Exportador – Centro Bancomext Tijuana, Mexico

Ricardo Quintana Orozco, Especialista de Asesoría, Bancomext, S.N.C., Mexico

Cecilia Ramírez Riestra, Gerente Administrativo, Daniela de México, S.A. de C.V, Mexico

Mario Arnulfo Cerda Rodríguez, Presidente, Dirección Estratégica Corporativa, S.A. de C.V./Diestraliqueurs, Mexico

Alejandro Turrent, Director Exportaciones, Nueva Matacapan Tabacos S.A. de C.V., Mexico

Appendix II

Websites of national and regional industrial property offices

Algeria	www.inapi.org
Andorra	www.ompa.ad
Argentina	www.inpi.gov.ar/
ARIPO (African Regional Industrial Property Organization)	www.aripo.wipo.net/
Armenia	www.armpatent.org
Austria	www.patent.bmwa.gv.at/
Australia	www.ipaustralia.gov.au/
Barbados	www.caipo.gov.bb/
Belize	www.belipo.bz
Benelux (Benelux Trademarks Office – BTO)	www.bmb-bbm.org/
Bolivia	www.senapi.gov.bo
Bosnia and Herzegovina	www.bih.net.ba/zsmp
Brazil	www.inpi.gov.br
Bulgaria	www.bpo.bg/
Canada	www.cipo.gc.ca
China	www.sipo.gov.cn
China: Hong Kong (SAR)	www.info.gov.hk/ipd
China: Macao (SAR)	www.economia.gov.mo
Chile	www.proind.gov.cl
Colombia	www.sic.gov.co
Croatia	www.dziv.hr/
Cuba	www.ocpi.cu
Czech Republic	www.upv.cz
Denmark	www.dkpto.dk/
Dominican Republic	www.seic.gov.do/onapi/
Estonia	www.epa.ee
European Patent Office	www.epo.org
European Union (Office for the Harmonization in the Internal Market – OHIM)	http://oami.eu.int/
Finland	www.prh.fi

France	www.inpi.fr
Georgia	www.sakpatenti.org.ge/
Germany	www.dpma.de
Greece	www.obi.gr/
Hungary	www.hpo.hu/
Iceland	www.els.stjr.is
India	www.patentoffice.nic.in
Indonesia	www.dgip.go.id
Ireland	www.patentsoffice.ie
Israel	www.justice.gov.il/rasham+haptentim/
Italy	www.european-patent-office.org/it/
Japan	www.jpo.go.jp
Jordan	www.mit.gov.jo
Kazakhstan	www.kazpatent.kz
Kenya	www.kipo.ke.wipo.net
Kyrgyzstan	www.krygyzpatent.kg
Lao People's Democratic Republic	www.stea.la.wipo.net/
Lithuania	www.vpb.lt/
Luxembourg	www.etat.lu/EC/
Macao	www.economia.gov.mo
Malaysia	www.kpdnhq.gov.my/
Mexico	www.impi.gob.mx/
Monaco	www.european-patent-office.org/patlib/country/monaco/
Morocco	www.ompic.org.ma/
Netherlands	www.bie.minez.nl
Nepal	www.ip.np.wipo.net
New Zealand	www.iponz.govt.nz
Norway	www.patentstyret.no
Organisation Africaine de la Propriété Intellectuelle (OAPI)	www.oapi.wipo.net/
Panama	www.mici.gob.pa/comintf.html
Peru	www.indecopi.gob.pe/
Philippines	www.ipophil.gov.ph/
Poland	www.uprp.pl/

Portugal	www.inpi.pt/
Republic of the Congo	www.anpi.cg.wipo.net
Republic of Korea	www.kipo.go.kr
Republic of Macedonia	www.ippo.gov.mk/
Republic of Moldova	www.agepi.md/
Romania	www.osim.ro
Russian Federation	www.rupto.ru
Serbia and Montenegro	www.yupat.sv.gov.yu
Singapore	www.ipos.gov.sg
Slovak Republic	www.indprop.gov.sk
Slovenia	www.sipo.mzt.si
Spain	www.oepm.es
Sweden	www.prv.se
Switzerland	www.ige.ch
Tajikistan	www.tipat.org
Thailand	www.ipthailand.org
Turkey	www.turkpatent.gov.tr
Ukraine	www.ukrpatent.org/
United Kingdom	www.patent.gov.uk
United States	www.uspto.gov
Uruguay	www.dnpi.gub.uy
Uzbekistan	www.patent.uz
Venezuela	www.sapi.gov.ve

Appendix III

Websites of national copyright administrations

Andorra	www.ompa.ad
Bosnia and Herzegovina	www.bih.nat.ba/zsmp
Brazil	www.minc.gov.br
Canada	http://cipo.gc.ca
China: Hong Kong (SAR)	www.info.gov.hk/ipd
Croatia	http://pubwww.srce.hr/patent
Hungary	www.hpo.hu
Indonesia	www.patent.go.id
Luxembourg	www.etat.lu/EC
Malaysia	http://kpdnhq.gov.my/
Monaco	www.european-patent-office.org/patlib/country/monaco/
New Zealand	www.med.govt.nz
Norway	www.dep.no/kd
Russian Federation	www.rupto.ru
Singapore	www.ipos.gov.sg/
Slovenia	www.sipo.mzt.si
Spain	www.mcu.es/Propiedad_Intelectual/indice.htm
Switzerland	www.ige.ch
Thailand	www.ipthailand.org
United Kingdom	www.patent.gov.uk
United States of America	www.loc.gov/copyright

Appendix IV

Members of the Patent Cooperation Treaty

(As at date???)

Albania
Algeria
Antigua and Barbuda
Armenia
Australia
Austria
Azerbaijan
Barbados
Belarus
Belgium
Belize
Benin
Bosnia and Herzegovina
Botswana
Brazil
Bulgaria
Burkina Faso
Cameroon
Canada
Central African Republic
Chad
China
Colombia
Congo
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Democratic People's Republic of Korea
Denmark
Dominica
Ecuador
Equatorial Guinea
Estonia
Finland
France
Gabon
Gambia
Georgia
Germany
Ghana
Greece
Grenada
Guinea
Guinea-Bissau
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Kazakhstan
Kenya
Kyrgyzstan
Latvia
Lesotho
Liberia
Liechtenstein
Lithuania
Luxembourg
Madagascar
Malawi
Mali
Mauritania
Mexico
Monaco
Mongolia
Morocco
Mozambique
Namibia
Netherlands
New Zealand
Niger
Norway
Oman
Philippines
Poland
Portugal
Republic of Korea
Republic of Moldova
Romania
Russian Federation
Saint Lucia
Senegal
Sierra Leone
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Swaziland
Sweden
Switzerland
Tajikistan
The former Yugoslav Republic of Macedonia
Togo
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United Kingdom
United Republic of Tanzania
United States of America
Uzbekistan
Viet Nam
Yugoslavia
Zambia
Zimbabwe

Total: 123 States.

Appendix V

Members of the Madrid Union

(As at date???)

Albania (A)
Algeria (A)
Antigua and Barbuda (P)
Armenia (A&P)
Australia (P)
Austria (A&P)
Azerbaijan (A)
Belarus (A&P[1])
Belgium[*] (A&P)
Bhutan (A&P)
Bosnia and Herzegovina (A)
Bulgaria (A&P)
China (A&P)
Croatia (A)
Cuba (A&P)
Cyprus (P)
Czech Republic (A&P)
Democratic People's Republic of Korea (A&P)
Denmark (P)
Egypt (A)
Estonia (P)
Finland (P)
France (A&P)
Georgia (P)
Germany (A&P)
Greece (P)
Hungary (A&P)
Iceland (P)
Ireland (P)
Italy (A&P)
Japan (P)
Kazakhstan (A)
Kenya (A&P)
Kyrgyzstan (A)
Latvia (A&P)
Lesotho (A&P)
Liberia (A)
Liechtenstein (A&P)
Lithuania (P)
Luxembourg[*] (A&P)
Monaco (A&P)
Mongolia (A&P)
Morocco (A&P)
Mozambique (A&P)
Netherlands[*] (A&P)
Norway (P)
Poland (A&P)
Portugal (A&P)
Republic of Korea (P)
Republic of Moldova (A&P)
Romania (A&P)
Russian Federation (A&P)
San Marino (A)
Sierra Leone (A&P)
Singapore (P)
Slovakia (A&P)
Slovenia (A&P)
Spain (A&P)
Sudan (A)
Swaziland (A&P)
Sweden (P)
Switzerland (A&P)
Tajikistan (A)
The former Yugoslav Republic of Macedonia (A)
Turkey (P)
Turkmenistan (P)
Ukraine (A&P)
United Kingdom (P)
United States (P)
Uzbekistan (A)
Vietnam (A)
Serbia and Montenegro (A&P)
Zambia (P)

Total: 74 States

(A) indicates a party to the Agreement
(P) indicates a party to the Protocol

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[*]Protection may not be requested separately for Belgium, Luxembourg or the Netherlands, but only for all three countries as a whole (Benelux), subject to payment of a single complementary or individual fee.

Appendix VI

Members of The Hague System for the International Deposit of Industrial Designs

(As at date???)

Belgium
Belize
Benin
Bulgaria
Côte d'Ivoire
Democratic People's Republic of Korea
Egypt
Estonia
France
Gabon
Georgia
Germany
Greece
Holy See
Hungary
Iceland
Indonesia
Italy
Kyrgyzstan
Liechtenstein
Luxembourg
Monaco
Mongolia
Morocco
Netherlands
Republic of Moldova
Romania
Senegal
Serbia and Montenegro
Slovenia
Spain
Suriname
Switzerland
The Former Yugoslav Republic of Macedonia
Tunisia
Ukraine

Total: 36 States

Appendix VII

Members of the Berne Convention for the Protection of Literary and Artistic Works

(As at 1 September 2003)

Albania
Algeria
Antigua and Barbuda
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Benin
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Bulgaria
Burkina Faso
Cameroon
Canada
Cape Verde
Central African Republic
Chad
Chile
China
Colombia
Congo
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Democratic People's Republic of Korea
Democratic Republic of the Congo
Denmark
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Estonia
Federated States of Micronesia
Fiji
Finland
France
Gabon
Gambia
Georgia
Germany
Ghana
Greece
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Holy See
Honduras
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Kyrgyzstan
Latvia
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Liechtenstein
Lithuania
Luxembourg
Madagascar
Malawi
Malaysia
Mali
Malta
Mauritania
Mauritius
Mexico
Monaco
Mongolia
Morocco
Namibia
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Republic of Korea
Republic of Moldova
Romania
Russian Federation
Rwanda
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Senegal
Serbia and Montenegro
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
Sudan

Suriname
Swaziland
Sweden
Switzerland
Tajikistan
Thailand
The former Yugoslav Republic of Macedonia
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Ukraine
United Kingdom
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zambia
Zimbabwe

Total: 151 States

Appendix VIII

Members of the Paris Convention for the Protection of Industrial Property

(As at 15 July 2003)

Albania
Algeria
Antigua and Barbuda
Argentina
Armenia
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Benin
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Bulgaria
Burkina Faso
Burundi
Cambodia
Cameroon
Canada
Central African Republic
Chad
Chile
China[1]
Colombia
Congo
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Democratic People's Republic of Korea
Democratic Republic of the Congo
Denmark[2]
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Estonia
Finland
France[3]
Gabon
Gambia
Georgia
Germany
Ghana
Greece
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Holy See
Honduras
Hungary
Iceland
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Kyrgyzstan
Lao People's Democratic Republic
Latvia
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Liechtenstein
Lithuania
Luxembourg
Madagascar
Malawi
Malaysia
Mali
Malta
Mauritania
Mauritius
Mexico
Monaco
Mongolia
Morocco
Mozambique
Nepal
Netherlands[4]
New Zealand[5]
Nicaragua
Niger
Nigeria
Norway
Oman
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Republic of Korea
Republic of Moldova
Romania
Russian Federation
Rwanda
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
San Marino
Sao Tome and Principe
Senegal
Serbia and Montenegro
Seychelles
Sierra Leone
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Suriname

Swaziland
Sweden
Switzerland
Syrian Arab Republic
Tajikistan
The former Yugoslav Republic of Macedonia
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United Kingdom[6]
United Republic of Tanzania
United States of America[7]
Uruguay
Uzbekistan
Venezuela
Viet Nam
Zambia
Zimbabwe

Total: 164 States

[1] The Stockholm Act applies also to the Hong Kong Special Administrative Region with effect from July 1, 1997, and to the Macau Special Administrative Region with effect from December 20, 1999.

[2] Denmark extended the application of the Stockholm Act to the Faroe Islands with effect from August 6, 1971.

[3] Including all Overseas Departments and Territories.

[4] Ratification for the Kingdom in Europe, the Netherlands Antilles and Aruba.

[5] The accession of New Zealand to the Stockholm Act, with the exception of Articles 1 to 12, extends to the Cook Islands, Niue and Tokelau.

[6] The United Kingdom extended the application of the Stockholm Act to the Isle of Man with effect from October 29, 1983.

[7] The United States of America extended the application of the Stockholm Act to all territories and possessions of the United States of America, including the Commonwealth of Puerto Rico, as from August 25, 1973.