



Asia-Pacific
Economic Cooperation



**APEC WORKSHOP ON
INTELLECTUAL PROPERTY FOR SMALL AND MEDIUM-SIZED
ENTERPRISES AND MICRO-ENTERPRISES**

Hanoi, 23-24 February 2006



Asia-Pacific
Economic Cooperation

**APEC Workshop on
Intellectual Property For Small and
Medium-Sized
Enterprises And Micro-Enterprises**

**Ha Noi, Viet Nam
23-24 February 2006**

**APEC Intellectual Property Experts' Group
APEC Committee on Trade and Investment**

June 2006

Note: Some of the terms used here do not conform to the APEC Style Manual and Nomenclature. Please visit http://www.apec.org/apec/about_apec/policies_and_procedures.html for the APEC style guide.

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Produced for
APEC Secretariat
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WORKSHOP ON IP FOR SMEs

PROGRAM

Hanoi, 23 – 24 February 2006
Press Club, 59A Ly Thai To Street

Day 1:

- 8.30 – 9.00 **Registration**
- 9.00 – 9.15 **Opening ceremony:**
- H.E. Vice-Minister for Science and Technology Tran Quoc Thang
 - Mr. Sivakant Tiwari, APEC Intellectual Property Rights Expert Group' Chair
- Chaired by Mr. Tiwari, IPEG Chair*
- 9.15 – 9.35 **WIPO activities concerning SMEs**
- Mr. Federico Guicciardini, WIPO
- 9.35 – 9.40 **Q&A**
- 9.40 – 10.05 **Creating and using IP assets to enhance competitiveness of SMEs**
- Mr. Kato, Japan
- 10.05 – 10.10 **Q&A**
- 10.10 – 10.30 **Coffee break**
- 10.30 – 10.55 **Marketing and branding strategy: use of trademarks, GIs and industrial designs for business success**
- Paul Loeffler- White, IP Australia
- 10.55 – 11.00 **Q&A**
- 11.00 – 11.50 **Building a competitive edge: protecting inventions and utility models**
- Mr. Kato, Japan
Mr. Jae-young LEE,
Korea Invention Promotion Association (KIPA)
- 11.50 – 12.00 **Q&A**
- 12.00 – 13.30 **Lunch**
- Chaired by Mr. Selby, Director, HK IPO*
- 13.30 – 14.00 **Protection of trade secret for SMEs**
- Mr. Robert Wulff, Australia

- 14.00 – 14.10 **Q&A**
- 14.10 – 15.00 **Copyright and related rights issues for SMEs**
Mr. Ang Kwee Tiang, Singapore
- 15.00 – 15.10 **Q&A**
- 15.10 – 15.30 **Coffee break**
- 15.30 – 16.20 **Exploitation of IP assets: direct exploitation, licensing and developing other types of strategic business relationships**
Mr. Steve Pinkos, Deputy Undersecretary of Commerce for Intellectual Property,
USPTO
Tran Huu Nam, Vietnam
- 16.20 – 16.30 **Q & A**

Day 2:

Chaired by Mr. Tran Viet Hung, DDG of NOIP

- 8.30 – 9.20 **Promoting the use of IP instruments by SMEs; Best practices for use and exploitation of IP assets**
Mr. Kato, Japan
Paul Loeffler- White, IP Australia
- 9.20 – 9.30 **Q&A**
- 9.30 – 10.15 **Valuation of IP assets: different approaches**
Mr. Robert Wulff, Australia
- 10.15 – 10.25 **Q&A**
- 10.25 – 10.45 **Coffee break**
- 10.45 – 11.15 **Integrating IP in the business plan and strategy: identifying, protecting, developing, managing IP assets**
Robert Stoll, USPTO
- 11.15 – 11.25 **Q&A**
- 11.25 – 11.35 **Closing Ceremony:**
Representative of NOIP
- 11.35 – 13.30 **Lunch**

APEC WORKSHOP ON IP FOR SMES AND MICRO-ENTERPRISES

Hanoi, 23 – 24 February 2006

Opening Speech of His Excellency Mr. Tran Quoc Thang, Vice-Minister for Science and Technology of Vietnam

Dear:

- Mr. Sivacant Tiwari, Chair of the Intellectual Property Expert Group,
- Mr. Eduardo Mendez, Representative of APEC Secretariat,
- Ladies and Gentlemen,

On behalf of the Ministry of Science and Technology of Vietnam I would like to warmly welcome all of you at this APEC Workshop on Intellectual Property for SMEs and Micro-Enterprises and congratulate you on the success of the IPEG XXII Meeting which took place during the past two days. I understand that this Workshop is also being organized within the framework of APEC cooperation through the IPEG agenda.

Ladies and Gentlemen,

Being a new member economy of the APEC family, since its accession to this Forum, Viet Nam has been actively participating and contributing APEC activities in general as well as in the field of intellectual property, in particular. 2006 is the year Vietnam hosts APEC - a political event which is significant to Vietnam. The Government and people of Vietnam will do their best to contribute to making APEC activities in 2006 successful. The Ministry of Science and Technology has the pleasure to cooperate with APEC Secretariat to organize this Workshop and believes that the Workshop will be a good opportunity for

enterprises of APEC member economies to share information and experiences with respect to the creation, exploitation and most efficient use of IP assets.

Ladies and Gentlemen,

Today, Intellectual Property proves itself a power tool for socio-economic development of all countries. In practice, many companies, enterprises in the world have been successful and have become well-known thanks to effective exploitation of IP assets. As for SMEs and micro-enterprises intellectual property rights also play an important role, especially in context of ongoing international integration. Through the creation, effective use and exploitation of IPRs, the position, reputation, competitiveness, market share and revenue of enterprises will all increase.

Ladies and Gentlemen,

During past years, with a view to meeting requirements of international economic integration of the country, Vietnam has been putting efforts on the improvement of its intellectual property system, especially satisfying the standards set forth in the TRIPS Agreement of the World Trade Organization (WTO), an evidence is that on November 19, 2005 the National Assembly passed a new IP law whose provisions are adequate and consistent with international standards. Besides, in order to help enterprises prepare necessary conditions for their international integration, over past time, the State and Government of Vietnam have issued relevant policies thus creating favorable business environment facilitating enterprises to enhance their competitiveness in both domestic and overseas markets. In the field of intellectual property, on April 04, 2005, the Prime Minister of Vietnam issued Decision No 68/2005/QĐ-TTg approving Program for supporting the development of IP assets of enterprises. This is a big program to be implemented for the period from 2005 to 2010. The objective of the Program is to

enhance the awareness and to support Vietnamese enterprises in the creation, exploitation, protection and development of IP assets thus contributing to raising competitiveness of enterprises. In addition, the Government of Vietnam is under consideration to approve a program on the enhancement of the efficiency of enforcement of intellectual property rights so as to protect legitimate rights and interests of right holders, in general and of the enterprises, in particular.

Vietnam believes that cooperation in the framework of APEC in general and in the field of intellectual property, in particular will continue to bring about further achievements which in turn will make essential contribution to economic and commercial interests of all APEC member economies.

On this occasion, on behalf of the Ministry of Science and Technology, I would like to express our sincere thanks to the APEC Secretariat, the APEC Intellectual Property Expert Group for their essential and effective support and assistance rendered to Vietnam over past time and for their close cooperation in the organization of the IPEG XXII and this Workshop on IP for SMEs and micro-enterprises.

Finally, I wish you a successful workshop!

We wish our invited guests and participants coming from APEC member economies a pleasant, memorable and impressive stay in Vietnam.

I wish you all a good health!

Thank you!

Intellectual Property and SMEs The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Federico Guicciardini Corsi Salviati
Deputy Director

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Background

- In September 2000, the WIPO Assemblies approved the proposal of the International Bureau toward the creation of “a substantial new program of activities, focusing on the IP-related needs of SMEs worldwide”
- The SMEs Division was established in October 2000
- As of today, 8 professionals and 3 administrative staff are working in the [Division](#)

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Mandate

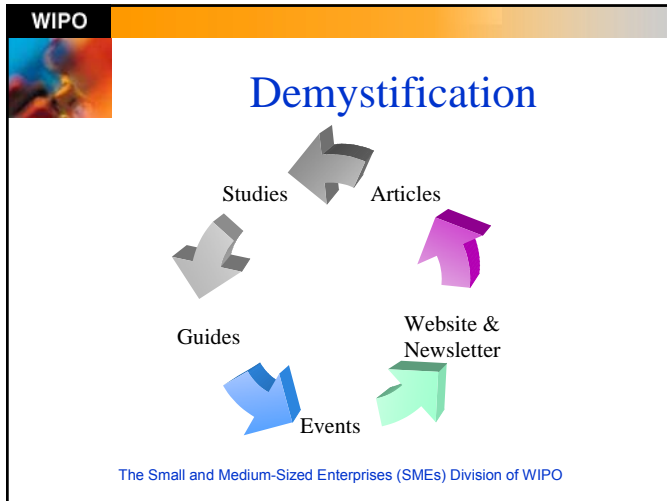
- Promoting a more active and effective use of the intellectual property system by SMEs
- Strengthening the capacity of national governments to develop strategies, policies and programs to meet the intellectual property needs of SMEs
- Improving the capacity of relevant public, private and civil society institutions, to provide IP-related services to SMEs
- Providing comprehensive web-based information and basic advice on IP issues to SME support institutions worldwide

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Strategy

- Raising awareness on the relevance of intellectual property for small and medium-sized business, by promoting initiatives to make the IP system more accessible and affordable for SMEs worldwide. Four directions:
 - (1) Demystification
 - (2) New audience
 - (3) New Areas
 - (4) Partnership

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO



- WIPO
- ## Demystification (Studies)
- **National Studies** on IP and SMEs completed in various countries in Africa, Arab countries, Asia and the Pacific, Europe and Latin America (Tanzania - Egypt, Morocco - Bhutan, Mongolia, Nepal, Philippines, Sri Lanka - Norway - Argentina, Brazil, Chile, Costa Rica, El Salvador, Paraguay)
- The Small and Medium-Sized Enterprises (SMEs) Division of WIPO


- WIPO
- ## Demystification (Guides)
- WIPO and ITC joint effort to explain the decisive links between successful marketing and the appropriate use of the IP tools
 - Four publications produced since 2002, namely on Marketing of Crafts and Visual Arts, on Secrets of Intellectual Property for Small and Medium Sized Exporters, on Negotiating Technology Licensing Agreements, and on Exporting Automotive Components
- The Small and Medium-Sized Enterprises (SMEs) Division of WIPO



WIPO

Demystification (Guides)

- Published [Flash Version](#)
 - Making a Mark (Trademarks)
 - Looking Good (Designs)
 - Inventing the Future (Patents)
- In the pipeline
 - Copyright
 - IP Valuation



The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

WIPO


Demystification (Guides)

- Translation and customization project under several sources of funding in about 60 countries worldwide (completed in Algeria, Argentina, Egypt, Hungary, Italy, Kenya, Lithuania, Morocco, Romania, Slovakia, Spain, Tunisia, Turkey - under way in Croatia, Czech Republic, Estonia, Finland, Lebanon, Mongolia, Mozambique, Myanmar, Nepal, OAPI, Vietnam)

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

WIPO

Examples of Customization



The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

WIPO


Demystification (Events)

- Special programs, seminar and workshops organized by the SMEs Division in Geneva in partnership with selected associations and international organizations
- WIPO Forum on IP and SMEs for IP Offices of OECD Countries
- Orientation programs for MBA students

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

WIPO

Demystification (Events)



- WIPO-Italy International [Symposium](#) on IP for SMEs in Textile and Clothing Industries (Caserta, November 30 to December 2, 2005)
- 300 participants from over 40 countries, including China, Russia and the USA
- Focus on IP and fashion

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

WIPO

Demystification (Website)

- The Website of the SMEs Division is published in six UN languages (English, French, Spanish, Arabic, Russian and Chinese)
- 117,000 pages viewed every month in 2005
- Contents include sections such as IP for Business, IP and E-Commerce, Activities, Best Practices, Case Studies and Documents

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

WIPO

Demystification ([Website](#))



The screenshot shows the homepage of the WIPO Small and Medium-Sized Enterprises (SMEs) Division. It features a navigation menu on the left with links to Home, About SMEs Division, IP for Business, IP Rights, Case Studies, Publications, Newsletter, Events, Links, Feedback, and Search. The main content area is titled 'Welcome to the Small and Medium-Sized Enterprises (SMEs) Division' and is organized into three columns: 'IP RIGHTS', 'IP FOR BUSINESS', and 'RESOURCES'. The 'IP RIGHTS' column includes links to Patents, Collective Signs, Copyright and Related Rights, Industrial Designs, Trade Secrets, and New Varieties of Plants. The 'IP FOR BUSINESS' column includes links to Introduction to IP for Business, Methods, Commercializing IP, Valuation of IP Assets, IP and Financing, E-commerce, and Research and Development. The 'RESOURCES' column includes links to Publications, Events, Research, Case Studies, and Best Practices. Below these columns is a 'NEWSLETTER' section and a 'NEWS' section with recent articles.

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

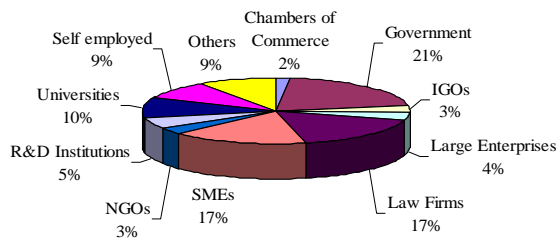
WIPO

Demystification ([Newsletter](#))

- Monthly e-newsletter in 6 languages published by the SMEs Division (available free)
- Contents include articles, updates with information, links and documents for subscribers
- Launched in August 2001
- Total number of subscribers: approx. 19,000

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Subscribers (on-line survey)



The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Demystification (CD-ROM)

- E-learning CD ROM (in partnership with KIPO: “[IP Panorama](#)”)

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Demystification (Articles)

- Some articles recently published:
 - A primer on open source software for business people and lawyers
 - Licensing and technology transfer in the pharmaceutical industry
 - What to do if you are accused of copyright infringement
 - Tapping into Patent Information: a buried treasure
 - International trade in technology – licensing of know-how and trade secrets

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

New Areas

- IP for financing (venture capital, securitization)
- Accounting and valuation of IP assets, IP audit
- Fiscal policies and IP (tax incentives for R&D activities, patenting, licensing etc.)
- IP services to SMEs by incubators, technology parks, chambers of commerce and SME associations
- IP needs of SMEs in biotechnology, agriculture, handicrafts, software
- IP insurance

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Partnership

- National and regional IP offices
- SME focal points within governments
- Chambers of commerce and industry
- SME associations and cooperatives
- Incubators, science parks and technology parks
- Universities
- Private sector consultants
- Financing institutions (including venture capitalists)

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

Thank You

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www.wipo.org

The Small and Medium-Sized Enterprises (SMEs) Division of WIPO

APEC WORKSHOP on IP for SMEs
organized by APEC and NOIP

**Creating and using IP assets
to enhance competitiveness of SMEs**



February 23, 2006
Prof. Hiroshi KATO
National Graduate Institute for Policy Studies
Kato-hiroshi@grips.ac.jp

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1 . IP STRATEGIC PROGRAM 2005
BY IP POLICY HEADQUARTERS

2 . IP POLICY
BY JAPANESE GOVERNMENT



**1. IP STRATEGIC
PROGRAM 2005**

IP POLICY HEADQUARTERS

10.June.2005

Why Intellectual Property?

Changes in Driving Forces behind Economic Growth

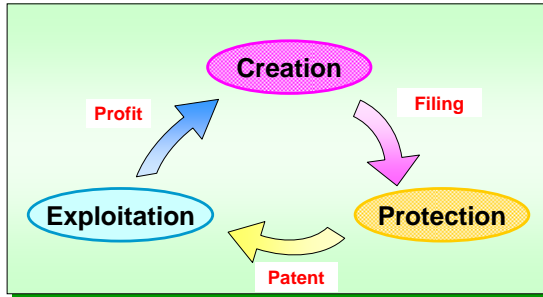
Natural Resources

Tangible Assets

Intangible Assets (Knowledge, IP)

Efforts toward IP-Based Nation

Productive Cycle of the IP System



Rapid Progress in IP Strategy

2002 ————— 2003 ————— 2005

Policy Statement
by PM KOIZUMI
(Feb. 2002)

IP Strategy Headquarters
(Mar. 2003)

IP Strategic Programs 2003, 2004, 2005



Basic Law on IP
(Nov. 2002)

Major Achievements

- ① IP High Court
- ② University IP Headquarters
- ③ Measures against Counterfeits & Pirated Copies
- ④ Increase of Patent Examiners
- ⑤ Media Contents Business
- ⑥ 21 IP-related Laws enacted



Intellectual Property Strategy Headquarters

Members --- All Ministers and 10 Experts from Academic and Industrial Sectors

Chairman --- Prime Minister KOIZUMI

Vice-Chairman --- Chief Cabinet Secretary
 Minister of State for Science and Technology Policy
 Minister of Education, Cultures, Sports, Science and Technology
 Minister of Economy, Trade and Industry



Intellectual Property Strategic Program 2005

- 1 Strengthening of measures against counterfeits and pirated goods
- 2 Development of a world-leading IP system
- 3 Supporting SMEs and Ventures**
- 4 Strategic activities in global standardization
- 5 Becoming a nation with a creative culture
- 6 Promotion of human resources development
- 7 Acceleration of industry-academia-government collaboration

Supporting SMEs and Ventures

Protect IPR of SMEs and ventures

- Reinforce consulting by lawyers and patent attorneys.
- Encourage establishment of IP Charter which respects IPR of SMEs and ventures.
- Establish "IP Rescue Organization" to protect SMEs and ventures from IP infringement by major enterprises.

Encourage local governments to design regional IP strategies

Supporting SMEs and Ventures

1. IPR procurement (fee reduction etc.)

2. Public Database (Internet, papers etc.)

3. International IPR procurement & enforcement

SMEs

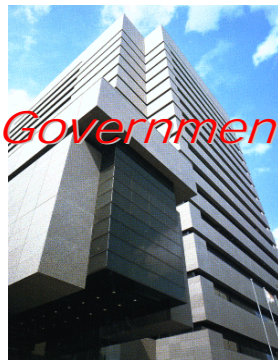
Start-ups

4. R&D aimed for Commercialization

5. Consultation

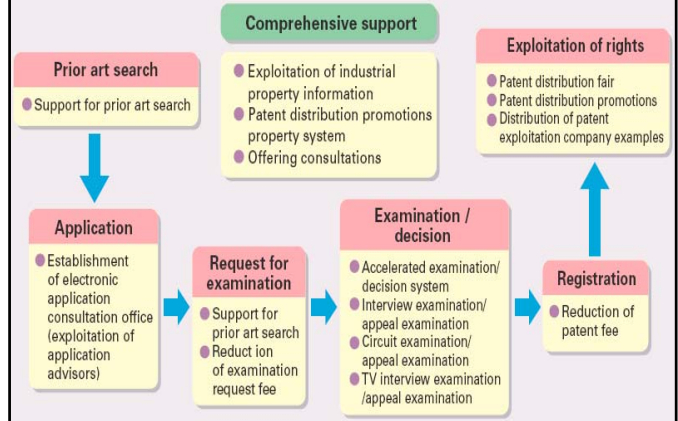
6. Education and Training

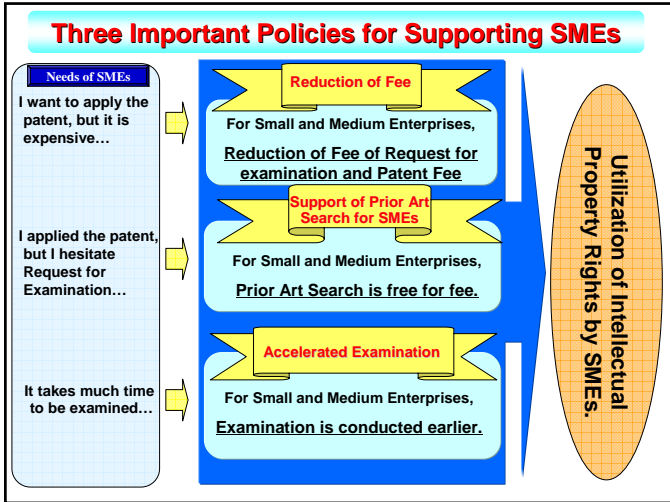
2. IP Policy by the Japanese Government



International Coordination Section
Administrative Affairs Division

Outline of Support to Small and Medium Enterprises





Reduction of Fee

Support for Registration of Intellectual Property Rights

- 1) Measures for Reduction of Patent Fee

The JPO grants exemption from patent fees (from the 1st year to the 3rd year) or a grace period of 3 years to individuals or companies with less financial resources if they comply with certain requirements. In addition the JPO grants a 50% reduction in patent fees (from the 1st year to the 3rd year) for small and medium enterprises dedicated to research and development.
- 2) Measures for Reduction of Volume of Requests for Examination

The JPO applies measures of exemption from or 50% reduction of examination request fees for individuals or companies with less financial resources if they comply with certain requirements. In addition the JPO applies measures of 50% reduction of examination request fees for small and medium companies dedicated to research and development.

Support of Prior Art Search for SMEs

Support for Requests for Examination of Industrial Property Rights

- 1) Support of Prior Art Search for Small and Medium Enterprises

In order to support proper assessment as to whether examination should be requested or not, private institutes commissioned by the JPO perform prior art search (free of charge) for applications of small and medium enterprises prior to requests for examination and deliver the results of the search by mail.
- 2) Study of Trends in Patent Application Technologies

The JPO selected 8 topics, namely life science, information and telecommunications, environment, nanotechnology materials, energy, manufacturing technology, social infrastructure, and frontier, and performed comprehensive analyses with a focus on "trends in patent application technologies". Information regarding the technological issues of these topics and future direction of technological developments is available on the JPO website.

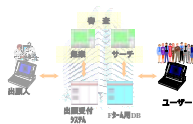
Access to the IPDL

NCIPI top-page
<http://www.ncipi.go.jp>

Click IPDL bar

IPDL top-page
<http://www.ipdl.ncipi.go.jp>

Search System for the Public Access



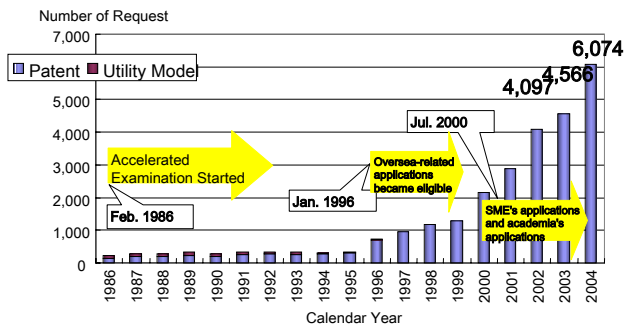
●Applicants can use the search system in the Japan Patent Office and in the branch office of Ministry of Economy, Trade and Industry (METI).

Accelerated Examination

- i) Working invention-related applications
- ii) Internationally-filed applications
- iii) Academic institutes-related applications
- iv) SME-related applications**

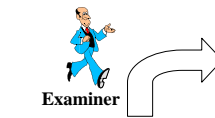
Expanding Utilization of Accelerated Examination

Number of Request for Accelerated Examination



Circuit Examinations

●Japan Patent Office started Circuit Examinations in 1996.



Japan Patent Office



Meeting at the Local Office

Examinations by TV Conference

- Japan Patent Office started Examinations by TV Conference in 1997.



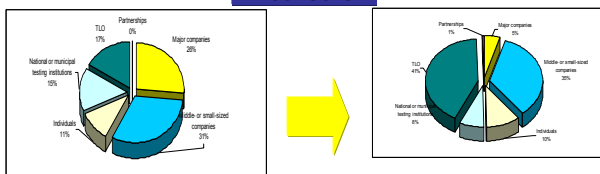
Examinations by TV Conference

Effect of Patents Introduced to SMEs

- New product was developed at a modest cost.
 - Reduction of R&D cost
- Company indifferent to patents turned into a company filing patent applications.
 - Improvement of technical level of the company
- It developed into joint research with universities and companies from other fields.
 - Formation of an alliance possibly allowing to enter a new market
- Employees became more aware of patents and more eager to develop new technologies.
 - Enhancement of motivations of employees

Identity of Licensors and Licensees

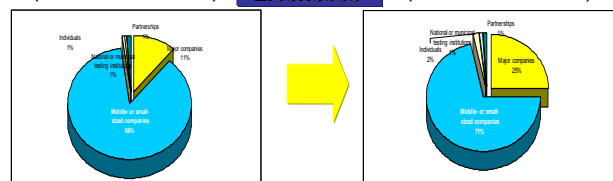
Licensors



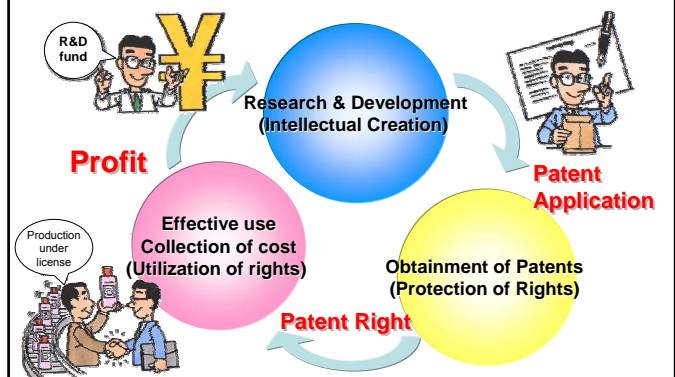
(as of March 2000)

Licensees

(as of March 2004)



Creation of the Intellectual Creation Cycle






Thank You

Australian Government
IP Australia

MARKETING & BRANDING STRATEGY: USE OF TRADEMARKS, GIs & INDUSTRIAL DESIGNS FOR BUSINESS SUCCESS

Hanoi, Vietnam - 23 February 2006



Presented by: **Paul Loeffler-White**
Manager
Queensland State Office
IP Australia

IPAustralia • Patents • Trade Marks • Designs • Plant Breeder's Rights

Australian Government
IP Australia



Registered & Unregistered Rights

- Registered rights
 - Trade Marks
 - Industrial Designs
 - Plant Breeder's Rights
 - Patents
 - Domain Names
- Unregistered rights
 - Copyright
 - Printed Circuit Layouts
 - Confidential Information
 - Trade Secrets
 - Geographical Indicators (GIs)

TM






CONFIDENTIAL




IPAustralia • Patents • Trade Marks • Designs • Plant Breeder's Rights

Australian Government
IP Australia

Selling, Branding & Marketing

- Selling – is just what it says it is – someone has to persuade the customer to buy
- Branding – differentiating your product from similar products – no other product is quite like your product
- Marketing – building the brand in the mind of your potential customer – creating an emotional connection between customer and the brand

SAFETY DRIVING PLEASURE PRESTIGE








IPAustralia • Patents • Trade Marks • Designs • Plant Breeder's Rights

Australian Government
IP Australia

Branding

- A 'brand' is more than a name or trade mark - it may also include:
 - slogan
 - tag line
 - jingle
 - packaging
 - colour
 - staff uniforms
 - Geographical Indicator (GI)
 - industrial design
- Increase brand value by being first in the field eg Compaq
- Increase brand value by narrowing the focus eg FedEx

IPAustralia • Patents • Trade Marks • Designs • Plant Breeder's Rights

Use of IP in Branding

- **Industrial Design** – useful for 'must have' consumer fashion items eg sunglasses, mobile phones. Also used for packaging
- **Trade mark** – exclusivity, longevity
- **GIs** - champagne, cheese, rice, fish sauce (Nuoc Mam)?? – Beware others from same region may also use the GI
- **Combination of rights in one product**



What makes a good brand?

- **Strong first impression, positive association with the product**
- **Brand appeals to your key market segment**
- **Short, easy to spell, easy to pronounce and memorable**
- **Always timely (does not go out of date)**
- **Adaptable to any advertising medium eg intricate symbols may not reproduce well in newspapers**
- **Not confusing eg "Non-Asprin"**
- **Legally available (database searches)**



Brand Protection Strategy

- **INTERNET**
 - Domain names
 - 'Google' your brand
- **MARKET PLACE**
 - Check telephone directories
 - Check NOIP TM database - www.noip.gov.vn
- **IS IT WORTH PROTECTING?**
 - Although technically registrable as a trade mark sometimes there is no value in the mark
 - SMEs need to know how much their brand is worth



Branding Strategy

- **Understand your product, your target market and market demographics**
- **Research why would customers want to buy your product and not your competitors? Use this information in your advertising and training**
- **Develop packaging reflecting your desired market position and conveys the correct image for your product**





Branding Strategy (cont)

- Develop marketing strategies to communicate key messages and be flexible to market demands and changes
- Develop a business plan to structure ongoing development of the product and moving into new markets
- Use trade mark and design registrations help protect the brand



Branding Strategy (cont)

- Good management and promotion of registered trademarks and designs increases the value of these IP assets
- Ensure you have clear and risk free ownership of your IP Rights
- Monitoring and enforcement action are required to protect your investment
- Marketing Strategy + IP Protection + Enforcement = Return on Investment (ROI) on brand



Marketing Strategy

- SWOT analysis (Strengths, Weaknesses, Opportunities & Threats)
- 4Ps (Price, Place, Promotion & Product)
- Know your target market
- Clear key messages
- Delivery channels
- Evaluation



International Considerations

- English is the international language for branding – Red Bull is used rather than 'Roter Stier'
- Many companies now operate in global markets so beware of other meanings:
 - Coors Beer "Turn it Loose" in Spanish = "suffer from diarrhoea"
 - Chevrolet's "Nova" in Spanish = "No go!"



Questions?

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Manager
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IP Australia
Paul.Loeffler-White@ipaustralia.gov.au

APEC WORKSHOP on IP for SMEs
organized by APEC and NOIP

**Building a competitive edge: protecting
inventions and utility models
(case study)**



February 23, 2006
Prof. Hiroshi KATO
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Kato-hiroshi@grips.ac.jp

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1 . The Trends in IP for SMEs

2 . Case Studies on IP by SMEs

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Rapid Progress in IP Strategy

2002 ————— 2003 ————— 2005

Policy Statement
by PM KOIZUMI
(Feb. 2002)



Basic Law on IP
(Nov. 2002)

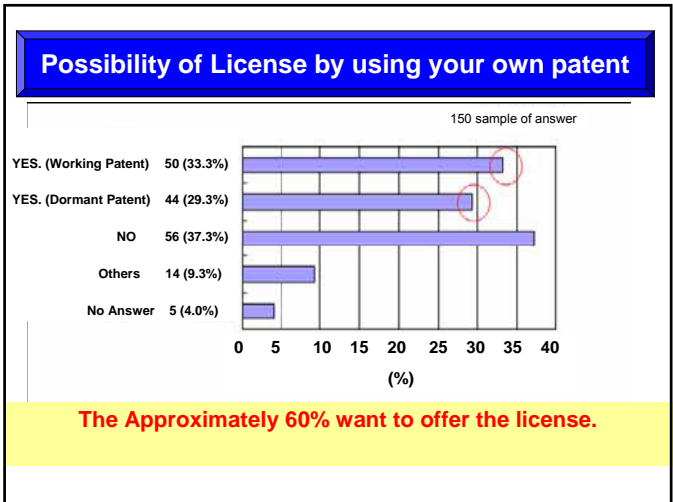
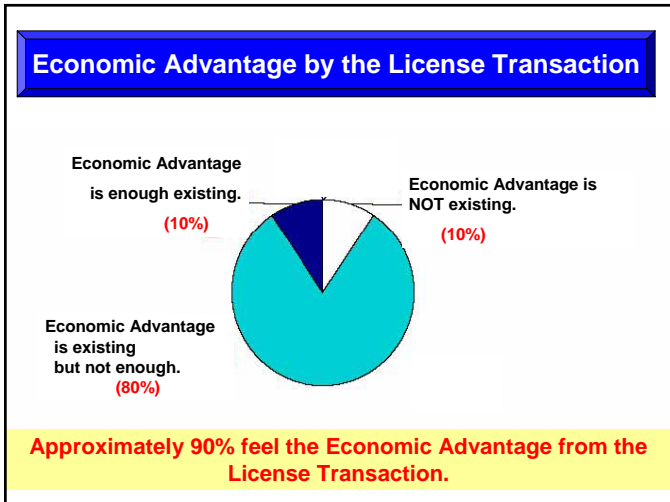
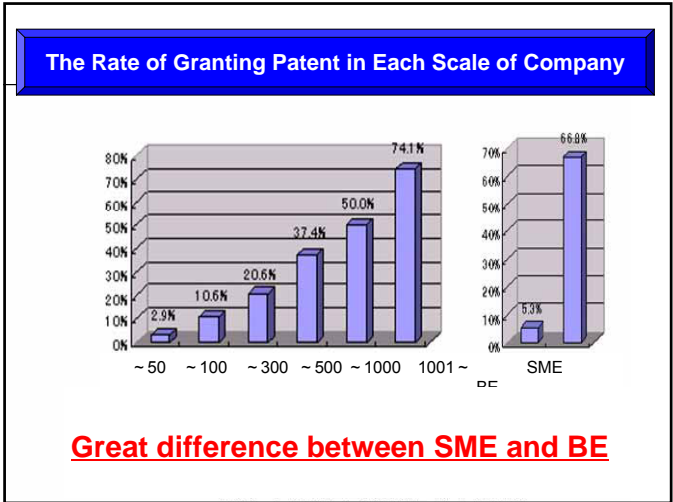
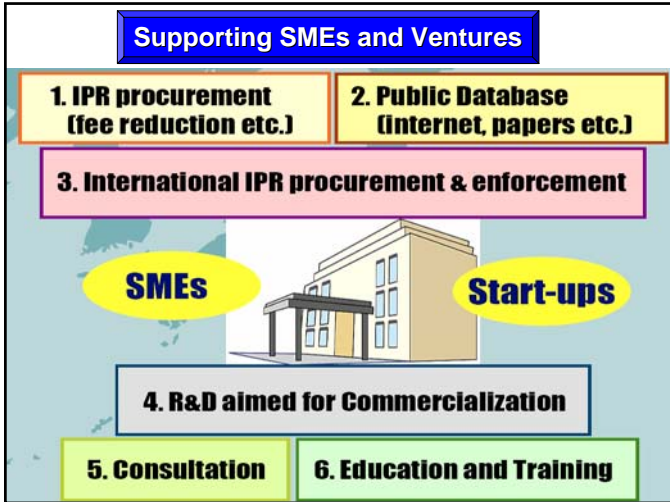


IP Strategy Headquarters
(Mar. 2003)

IP Strategic Programs 2003, 2004, 2005

Major Achievements

- ① IP High Court
- ② University IP Headquarters
- ③ Measures against Counterfeits & Pirated Copies
- ④ Increase of Patent Examiners
- ⑤ Media Contents Business
- ⑥ 21 IP-related Laws enacted



The Conclusion

- 1. There is Great difference between SME and BE.
- 2. Approximately 90% feel the Economic Advantage from the License Transaction.
- 3. The Approximately 60% of SMEs want to offer the license.

The Contents

1 . The Trends in IP by SMEs

2 . Case Studies on IP by SMEs

Case Study ①

NABEL INVENTION



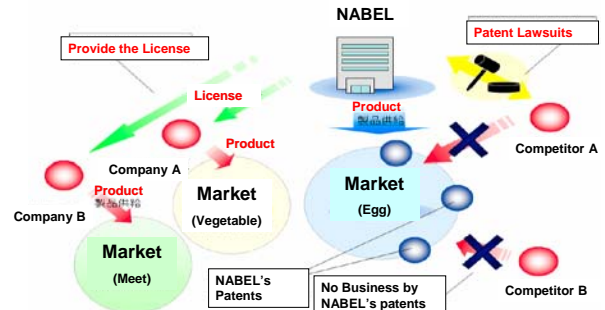
The Machine to check the cracked egg



The Machine to wrap the egg

Case Study ①

NABEL STRATEGY



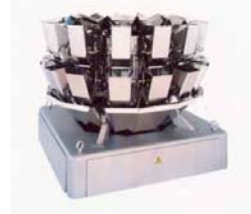
Case Study ①

NABEL STRATEGY

1. Change From the Subcontract Factory to the Brand Factory
2. Patent Lawsuit (Compensation for Damage is 3 million yen.)
3. Patents from the Research to the Products
4. Effective Patent Management (Patent Application)
5. IP Management by the Combination of the Research, IP and Sales

Case Study ②

ISHIDA INVENTIONS



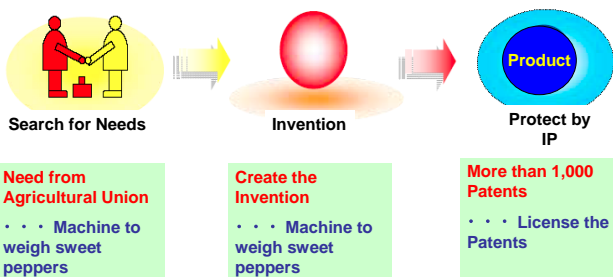
The Machine for weighing



The Machine for wrapping

Case Study ②

ISHIDA STRATEGY



Case Study ②

ISHIDA STRATEGY

1. Development based on the Needs
2. Patent Management (Experience of Patent Lawsuit)
3. Benefit by Patent License
4. Continuous Growth
by Development based on the Needs and Patent Management

Case Study ③

MATSUMOTO INVENTIONS



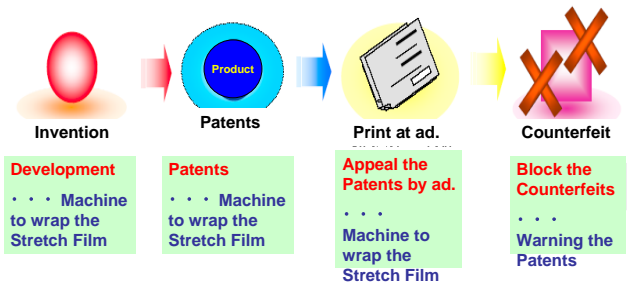
The Machine for weighing by the Stretch Film



The Attachment for Construction Machine

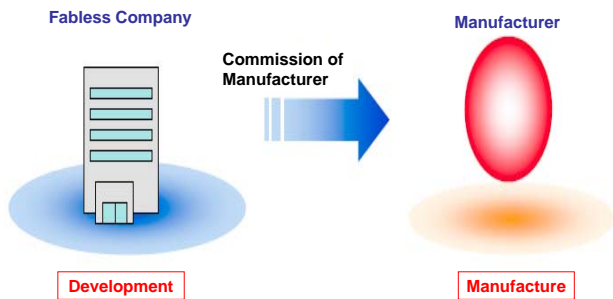
Case Study ③

MATSUMOTO STRATEGY



Case Study ③

MATSUMOTO STRATEGY



Case Study ③

MATSUMOTO Strategy

1. Utilization of Director's Patent (at first)
2. Block the Counterfeits by Obtaining Patents
3. Products corresponding the Change of Society and Cost Merit
4. Merit of Fables Company

Case Study ④

WAKO INVENTIONS



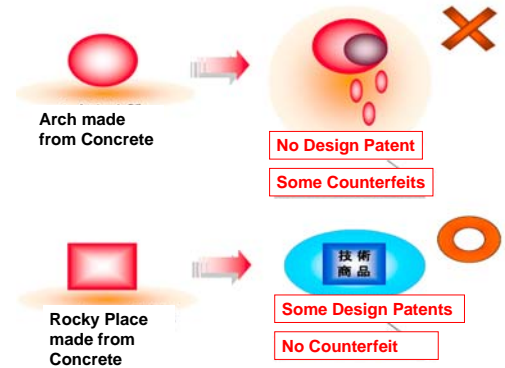
The Polacable



The Wooden Guardrail

Case Study ④

WAKO STRATEGY



Case Study ④

WAKO STRATEGY

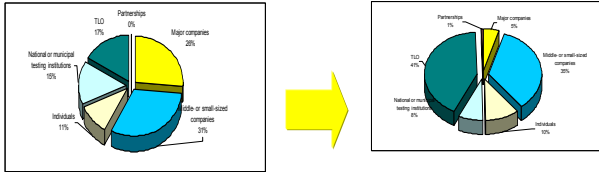
1. Development only by WAKO company
2. 10% of all the staff are in charge of Development.
3. Continuous Growth by Design Patents
4. Continuous Growth by Patents License

Effect of Patents Introduced to SMEs

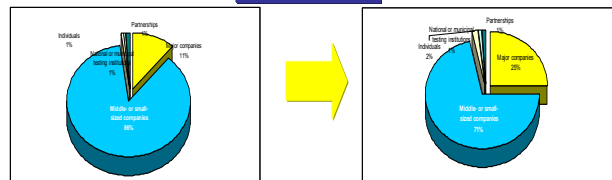
- New product was developed at a modest cost
→ Reduction of R&D cost
- Company indifferent to patents turned into a company filing patent applications
→ Improvement of technical level of the company
- It developed into joint research with universities and companies from other fields.
→ Formation of an alliance possibly allowing to enter a new market
- Employees became more aware of patents and more eager to develop new technologies.
→ Enhancement of motivations of employees

Identity of Licensors and Licensees

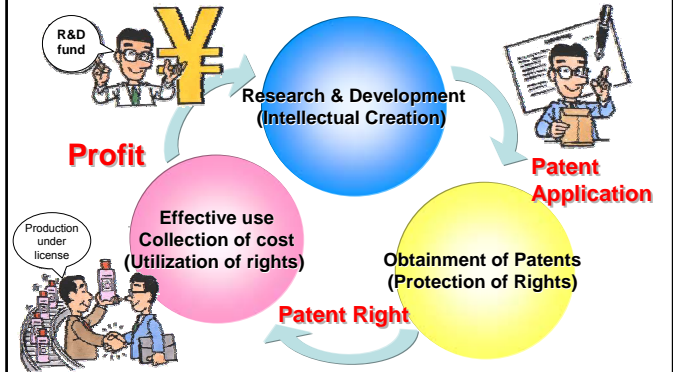
Licensors



Licensees




Creation of the Intellectual Creation Cycle



Thank You


IP Panorama Project



Jae-young LEE
Patent Attorney

Korea Invention Promotion Association


Hanoi, Vietnam, 23/2/2006



IP Panorama Project IPAcademy

CONTENTS

- 1 Background
- 2 Objective
- 3 Implementation of developing 10 modules
- 4 Instructional design strategy
- 5 Application of IP Panorama



IP Panorama Project IPAcademy

1 Background

Title : Korea - WIPO IP Education Contents
As a Joint development of e-learning content (IP Panorama)



2003.5.22
Verbal Agreement at WIPO OECD Forum after introducing IPAcademy

2004.9
Signing RoD(Record of Discussion) by WIPO SMEs's proposal

2004.11.15
Signing Joint-development Agreement among WIPO-KIPO-KIPA




IP Panorama Project IPAcademy

2 Objective

Our main purpose

Providing SMEs, universities, citizens of the world with practical and business orientated IP-related knowledge through the advanced e-learning technology of Korea

- To help SMEs utilize and manage IP in their business strategically
- To increase IP-awareness among universities and citizens of the world, and provide the more practical opportunities to study IP for business



IP Panorama Project
IPAcademy

3 Implementation of developing 10 modules

Module 1 in 2004 : Importance of IP for SMEs

Modules 2-5 in 2005 : IPR for SMEs


Modules 6-10 in 2006 : Applications of IP for SMEs

Based on Module 1, additional 4 modules had been developed in 2005 and the remaining 5 modules will be developed in 2006.

IP Panorama Project
IPAcademy

3-1 Project Model before starting IP contents in 2004

Module 1 : Importance of IP for SMEs



Development of prototype on the basis of 'IP for Business' Article in WIPO SMEs

- Method : Courseware
- Volume : 23 frames
- Running time : about 30 mins
- Characters : Dr. Gibson & Susan

Available at WIPO and IPAcademy website

IP Panorama Project
IPAcademy

3-2 Additional 4 modules in 2005

- Module 2 : Trademark and Industrial Design
- Module 3 : Invention and Patent
- Module 4 : Trade Secret
- Module 5 : Copyright and Related Rights

IP Panorama Project
IPAcademy

Module 2

Module 2] IP and Marketing (Trademark and Industrial design)

- Main story
Susan wanted to make her company "Teckor" a leader of the MP3 Player Market. So her employees and she determined to create a new brand and design to catch the customers' interest....
- Characters
 - Teckor : Susan(CEO), Alex, Nicole
 - Branding expert : Chris
 - IP Lawyer : Gibson

IP Panorama Project
IPAcademy

IP and Marketing

Module 2



Alex
Marketing strategist of Seona

Gibson
IP Lawyer

Susan
CEO of Seona

Nicole
Designer of Seona

Chris
Branding Expert

IP Panorama Project
IPAcademy

Module 3

Module 3] Invention and Patent

- Main story
Fox telecom had invented a folder-typed mobile phone, but they didn't patent that invention. Afterwards Fox Telecom received a warning letter of patent infringement from Mobile Shot...
- Characters
 - Fox telecom : Calvin(CEO), June, Samantha, Benito
 - Mobile Shot : Carly(CEO)
 - IP Team manager of giant enterprise : Esther
 - IP Lawyer : Gibson

IP Panorama Project
IPAcademy

Invention and Patent

Module 3



Gibson
IP Lawyer

Calvin
CEO of Fox Telecom

Esther
IP team manager

Samantha
Designer of Fox Telecom

June
Marketing strategist of Fox Telecom

Benito
Engineer of Fox Telecom

Carly
CEO of Mobile Shot

IP Panorama Project
IPAcademy

Module 4

Module 4] Trade secrets

- Main story
Now Benito became a very capable mobile phone engineer and an arrogant person. Suddenly, Benito left Fox Telecom giving a personal excuse, but actually he stole the trade secret from Fox Telecom when he resigned...
- Characters
 - Fox telecom : Calvin(CEO), June, Samantha, Benito
 - Mobile Shot : Carly(CEO)
 - IP Team manager of giant enterprise : Esther
 - IP Lawyer : Gibson

IP Panorama Project
IPAcademy

Trade Secret

Module 4



Gibson
IP Lawyer

Calvin
CEO of
Fox Telecom

Esther
IP team
manager

Carly
CEO of
Mobile Shot

Benito
Engineer
of Fox Telecom

Samantha
Designer
of Fox Telecom

June
Marketing strategist
of Fox Telecom

IP Panorama Project
IPAcademy

Module 5

Module 5] Copyright and Related Rights

- Main story
Company Seona was about to launch a new MP3 player. For effective marketing activities, Seona requested Anna to make a brochure and planned to make a website which provides the service of MP3 download service for their customers. But unexpectedly copyright issues came up...
- Characters
 - Seona : Susan(CEO), Alex
 - Graphic designer : Anna
 - Famous composer and producer : David
 - IP Lawyer : Gibson

IP Panorama Project
IPAcademy

Copyright and Related Rights

Module 5



Anna
brochure designer

David
Music composer
and producer

Alex
Marketing strategist
of Seona

Gibson
IP Lawyer

Susan
CEO of Seona

IP Panorama Project
IPAcademy

3-3 Introduction of modules 6-10

- Module 6 : Patent Information
- Module 7 : Licensing
- Module 8 : Web site & E-Commerce
- Module 9 : Exports and Imports
(Protecting and Managing IP Abroad)
- Module 10 : IP Audit

IP Panorama Project
IPAcademy

4 Instructional design strategy

1) Main strategy

"STORYTELLING"

- "STORYTELLING" means that learners can learn by the art of portraying in words, images and sounds what has happened in real or imaged events.

The frame work of the story

- Various stories and actors (characters) appear
- Containing specialized learning contents in accordance with story flow
- Showing how the actors solve (or fail to solve) the problem related to IP

IP Panorama Project
IPAcademy

2) Learning flow

- Introduction**
 - Today's issue
 - People in the story
- Inside the story**
 - Learning with the story
 - The story with educational contents flows scene-by-scene.
 - The education contents are composed of two part : 'Learning points' and 'More references'
- Reflection**
 - Summary and self-reflection
 - Simple Quiz : the main subjects
 - Self-reflection Journal : Self-examination (two type : By-web and By-CD)
 - Heart-to-heart talk : Summary goes as main actor reveals his/her innermost feelings

IP Panorama Project
IPAcademy

3) Development strategy

Principles to demonstrate

- Building up full flash animation with specialized sounds effect and narration of actors
- Designing Easy User Interface
- Focusing on the story and the main learning contents, Referring extra contents to More References
- Minimizing the complicated design and additional images

IP Panorama Project
IPAcademy

5 Application

Main target

- Employees of enterprise, especially SMEs and policy makers
- Graduate students for research and MBA school or law school students

Secondary target

- IP lawyer
- General public

10 modules will be uploaded onto the IPAcademy website <www.ipacademy.net> operated by KIPA and onto the WIPO website.

Further KIPA will provide the learners with professional and customized e-learning service such as learning management system and tutoring service.

Thank you



www.IPacademy.net



APEC Workshop on IP for SMEs

Hanoi, Vietnam 23 and 24 February 2006

PROTECTION OF TRADE SECRETS

- For SMEs -

Robert Wulff - Partner
GRIFFITH HACK Patent and Trademark
Attorneys/Lawyers
Sydney, Australia

AGENDA

- Definition of Trade Secret
- Current Environment
- Guidelines for Management
- Conclusions

WHAT IS A TRADE SECRET?

- Technical or Operational Information that is:
 - Confidential (or unknown to the public)
 - Has Economic Benefit to Organisation;
 - Organisation attempts to Keep Secret; and
 - In some countries, has Practical Application.

WHAT IS A TRADE SECRET?

- Technical Information includes: patentable, know-how, processes, techniques, formulae, programs, systems etc.
- Operational Information includes: customer lists, customer and distributor relationships, marketing strategies, competitor analysis etc.

CURRENT ENVIRONMENT

- International Importance of Managing IP, including Trade Secrets
- Legal & Governmental Imperatives
 - Eg. Article 39 of TRIPs (WTO)
 - Eg. increased Corporate Compliance (Sarbanes-Oxley)
- Large Losses that can result
 - Eg. \$45 billion for US business in 1998
 - Eg. loss of key secrets ruining an SME

MANAGEMENT GUIDELINES

- ◆ Create Inventory of Trade Secrets
- ◆ Use Comprehensive and Enforceable Agreements
- ◆ Employ Security Measures and Controls
- ◆ Retain Key Employees
- ◆ Communicate to All Employees
- ◆ Report Changes and Losses
- ◆ Conduct Exit Interviews
- ◆ Employ Procedures to Retain Business
- ◆ Valuation of Trade Secrets
- ◆ Appropriately Enforce Breaches
- ◆ Appropriately Use Patent System

MANAGEMENT GUIDELINES

Create Inventory of Trade Secrets

- ◆ Hierarchical and Controlled Access
- ◆ All Information “Marked”
- ◆ Use Lab Books & Procedures

MANAGEMENT GUIDELINES

Comprehensive & Enforceable Agreements

- ◆ Cover Employees, Contractors, 3rd Parties
- ◆ Agreements to address:
 - Confidentiality, Non-Compete, Ownership;
 - Reasonable and Enforceable in Extent, Time & Place;
 - Roles and Responsibilities;
 - Type of Information Covered and Access;
 - Personalised;
 - Give Notice and Enforced Leave.

MANAGEMENT GUIDELINES

Security Measures & Controls

- ◆ Protect Documents Physically & Electronically
- ◆ Track Document & People Movement
- ◆ Restrict Access to Sensitive Areas
- ◆ Label & Mark Documents/Areas/Equipment
- ◆ “Localise” Employee Information
- ◆ Track Externally Released Information

MANAGEMENT GUIDELINES

Retain Key Employees

- ◆ Reward Key Employees
 - Shares, Bonuses, Publicity
- ◆ Incentive Schemes

MANAGEMENT GUIDELINES

Communicate To All Employees

- ◆ At Commencement & Termination
- ◆ What it is; Why it’s important
- ◆ How to Use; How Not to Use
- ◆ Manual/Handbook

MANAGEMENT GUIDELINES

Report Changes & Losses

- ◆ Develop Culture of Disclosure
- ◆ Monitor Information Traffic
- ◆ Appoint a Knowledge Manager
- ◆ Take Prompt Action

MANAGEMENT GUIDELINES

Conduct Exit Interviews

- ◆ For all Employees
- ◆ Reminder of Obligations
- ◆ Exit Agreement?
- ◆ Feedback
- ◆ Notify Next Employer?

MANAGEMENT GUIDELINES

Procedures to Retain Business

- ◆ Enforce Notice Period & Garden Leave
- ◆ Consider Quick Termination
- ◆ Cease all Materials Access
- ◆ Visit All Key Clients/Customers

MANAGEMENT GUIDELINES

Valuation of Trade Secrets

- ◆ Indication of Worth/Sensitivity
- ◆ Allocate Appropriate Security
- ◆ Use Professional (eg. Accountant)

MANAGEMENT GUIDELINES

Appropriately Enforce Breaches

- ◆ Complex, Highly Specialised
- ◆ Disruptive – Cost Benefits Analysis
- ◆ Plan Litigation & Case Brief Carefully
- ◆ Litigate to Send Message

MANAGEMENT GUIDELINES

Appropriately Use Patent System

- ◆ Can it be Kept Secret?
- ◆ Is it Patentable?
- ◆ Patenting to Stop Others Using
- ◆ Patent Before Secretly Used

CONCLUSIONS

- Need to Manage IP Assets (including Trade Secrets)
- Need to Identify IP Assets
 - Governmental/legislative reasons
 - Market Demand
- Implement Guidelines to Manage Trade Secrets
 - Initially Time-Consuming
 - Cost & Information Management Savings
 - SME becomes Less Vulnerable
- Can assist in Dealings and Competitiveness

Protection of Trade Secrets for SMEs

Robert Wulff - Partner
GRIFFITH HACK Patent and
Trademark Attorneys/Lawyers
Sydney, Australia

THANKYOU

APEC Workshop on IP for SMEs

Hanoi, Vietnam 23 and 24 February 2006

Protection of Trade Secrets for SMEs

**Robert Wulff , Partner
Griffith Hack Patent and Trademark Attorneys & Lawyers
Sydney, Australia**

Summary

This paper provides some guidelines for SMEs in the management and protection of trade secrets, and sets forth the reasons and benefits for so doing.

A “trade secret” is commonly defined as technical or operational information of an organisation which is confidential (or unknown to the public), has some economic benefit to the organisation, and which the organisation attempts to keep secret (References 3, 7 and 10). Technical information includes information which may or may not be patentable (including know-how) and includes processes, techniques, formulae, programs and systems information; whereas operational information includes customer lists, customer and distributor relationship information, marketing strategies, competitor analysis etc. Some jurisdictions (eg. China) also require the trade secret to have a practical application (Reference 10).

In the information economy of the 21st century trade secrets have assumed an increased prominence to business, more so than at any other time. The two most significant threats to a business’ trade secrets are employee theft and competitor espionage. Loss of trade secrets can arise from: deficient employer/employee, employer/contractor and business/third party relations and agreements; poor definition, management and securing/protection of trade secrets; breaches of computer and electronic security; inadequate employee post-hiring mechanisms; inadequate investigation procedures; poor business retention procedures; poor dispute resolution techniques.

To compete on the global stage SME’s need to, *inter alia*, adopt effective IP management strategies. A key part of an effective IP management strategy is a comprehensive methodology for managing trade secrets. This need not be a complex procedure for the SME in question. Further, when SME’s strategically use their IP they can better deal, align or even compete with large businesses in developed and emerging markets.

The Current Environment

In a 1998 study conducted by the American Society for Industrial Security it was estimated that, over a 17 month period, US businesses lost around \$45 billion from the misappropriation of confidential information (mainly trade secrets). If this survey were conducted now, this figure would likely be much higher. Whilst large businesses can generally afford to carry such losses, for the SME the theft of valuable trade secrets can, in an extreme case, destroy the business.

There have also been some recent governmental imperatives that require protection and proper management of trade secrets. For example:

- Article 39 of the WTO TRIPs agreement requires WTO Member States to provide protection under their laws for undisclosed information.
- The US Sarbanes-Oxley Act (which is already having significant international impact) requires public companies to have an internal control procedure and to identify, protect, value and report as assets trade secrets, in both quarterly and annual reports.

Thus, to be both successful and legally compliant, it is suggested that businesses will in future need to demonstrate to partners, investors, shareholders, market analysts, governmental and regulatory authorities and (perhaps even) the public the procedures they have in place for adequately dealing with and managing their IP, including their trade secrets.

Trade Secrets Management Guidelines

The following guidelines are written for SME's. They are not exhaustive, and relevant procedures to be applied will vary case-by-case. However, the following recommendations are commonly referred to in the literature.

◆ Create an Inventory of the Business' Trade Secrets

Conduct an audit to identify all information in the business that is confidential. When existing confidential business information is identified, and when new confidential business information is developed, all should be systematically classified.

- For example, a hierarchical system can be developed comprising:
 - highly sensitive/valuable information – catalogued and stored securely (physically and/or electronically) and accessed only by management and those with a clearly defined need to know;
 - medium level sensitivity information – again catalogued and stored securely (physically and/or electronically) and accessed by professional employees and only those staff with a need to know;
 - low sensitivity information – again catalogued and stored securely (physically and/or electronically) but accessible by all staff, yet still identified as secret/confidential.
- Mark all such information as “Highly Confidential” or “Confidential” or “Secret” or “Proprietary” etc.
- Technology and research-based businesses should use approved laboratory notebooks (marked Confidential) to physically record all technological and research-derived developments of staff, and then securely store these.

◆ Ensure that comprehensive and enforceable Agreements are in place

In general there are two main types of agreements that a business uses to deal with and protect trade secrets:

- Employer/Employee and Employer/Contractor agreements, which need to address the activities and responsibilities of employees and contractors during employment, and after employment (or after the contract) is terminated.
- Business/Third Party agreements, which need to properly identify/specify and then notify to the third party the secret and confidential nature of the information.
 - All such agreements need to ensure information confidentiality and should attempt to outline the intended use of information; such agreements should also deal with ownership of any IP that arises (ie.

during employment, during the contract term, or during the period of engagement).

- Employer/Employee and Employer/Contractor agreements should provide for non-competition post employment and, when appropriate, post contract.
- Check that the relevant terms of the agreement that restrict use of the business' confidential information, or that prevent competition post employment, are reasonable and do not amount to an unfair or unjust restraint of trade on the employee/contractor.
- Make sure all such agreements are current, relevant and not too broadly expressed.
 - For example, make sure each agreement clearly outlines and specifies the information that is confidential, and the role that the relevant has in respect to that information.
 - Make sure the non-compete period is not too long or does not attempt to have too great a geographical extent.
 - Make sure each agreement is updated to reflect any changes in the law.
 - Personalise each agreement - use different agreements for people/entities in different functions.
 - For certain contractors (eg. service technicians), very simple agreements can be sufficient.
 - For a contractor or third party, ensure that the agreement properly identifies/specifies the information and also notifies that party of the secret and confidential nature of the information.
 - Include "give notice" and "garden leave" provision in an employee's agreement (ie. that force an employee to give notice of departure in advance, and that result in the employee being paid by the business to go on leave for a period of time after departure before resuming work at a next employer (eg. competitor)) – this gives a business time to take remedial action.
- Make sure each agreement is enforceable in the business' home market; it may also be desirable to check (with suitable legal advisors) that the agreement is enforceable in the jurisdiction of each market in which the business competes.
- Especially with contractor and third party agreements, ensure that any IP (including trade secrets) is dealt with (preferably transferred to the business, to be owned by the business) and maintains a relevant secrecy obligation on the contractor or third party.

◆ **Implement Security Measures and Controls**

- Restrict access to documents electronically and physically:
 - For example, at least password-protect important documents, and keep physical copies in locked filing cabinets in a secure floor space.
 - Track and record the accessing and sending of documents using a document management system.
 - Install firewalls and access control on the business database to restrict internal and external access, the spread of computer viruses, the downloading of documents etc.

- Employ a visitor logbook and a visitor badge identification system to monitor visitor movements and departures.
- Store secret information and equipment in secured sites within a business' premises that are marked as eg. a "Confidential Area".
- Research and technical areas/rooms should have an appropriate level of security access, and unauthorised persons should be restricted access unless accompanied. Again, employ warning signs.
- Physically label and catalogue all important equipment including computers, fax machines, etc.
- Where possible, restrict employee access to the entire information of a business, so that no single employee has access to all necessary technical or operational secrets, but rather must cooperate with others, including management.
- For externally released documents, prototypes, software, etc ensure documents etc are numbered or marked and countersigned or encoded, and if necessary are physically delivered and monitored/supervised for and to prevent copying.
 - Of course, externally released documents, prototypes, software etc should also be the subject of agreements that are consistent with the business' employee, contractor and other third party agreements (eg. use a material transfer agreement).

◆ **Implement Measures to retain Key Employees**

Identify who the key employees in an organisation are, and make sure that they are nurtured and looked after by management and HR. Put in place incentive schemes to encourage disclosure of their information, and record all such information. Celebrate and reward their achievements. Retaining key staff can be the simplest and most cost effective means of retaining control over trade secrets.

◆ **Communicate Importance of Trade Secrets to all Employees**

If implementing a new policy on trade secrets announce this to all staff. Further, all new staff should have the importance of the business' trade secrets explained to them from the outset, usually at the time when their employment contract/agreement is explained to them. Explain to staff why the trade secrets are important to the business. Systematise all such explanations and procedures in a manual/document/handbook to be given to all staff at commencement of employment. The manual/document/handbook may in some cases also include the relevant agreement. A manual can explain:

- The importance of confidentiality and trade secrets to and in the business;
- How trade secrets are classified in the business;
- What type of information is allowed to go into documents, such as newsletters, the website, brochures, technical data sheets etc;
- Rules for transferral and disposal of information;
- Where information can be taken to, and where, how and by whom it can be accessed (eg. "this type of information is not to be taken home" or "this information is only available to this manager" etc).

◆ **Report changes and losses of Trade Secrets**

Encourage and develop a culture where changes to or inadvertent losses concerning trade secrets are promptly reported to management. Where appropriate, appoint a knowledge manager for the business who can implement controls and monitor a business' information traffic to ensure timely reporting of changes and losses.

Promptly investigate any suspected changes or losses to confidential information and take prompt remedial action, including using outside legal and/or investigative expertise (and, if necessary, litigate – but see **Enforce Breaches** below).

◆ **Conduct Exit Interviews**

Conduct exit interviews (and document them), especially with key staff, as they depart. Remind them at this interview of their obligations of confidentiality and non-competition. Try to be specific (ie. refer to the actual trade secret information, and document this). Some businesses do this by way of an executed Exit Agreement (but signing this may be difficult to insist upon). Try to obtain the employees feedback on the business (ie. try to get a sense of whether they are disgruntled or amicable). This feedback can guide subsequent handling of the employee's exit procedure. Request the employee to deliver up any confidential information they may have, including on their computer etc. Consider having a clause in the employee's contract that requires them to advise the business at the exit interview of their next employee/destination, and what their future responsibilities and role will be. Consider then notifying their next employer of the ex-employee's obligations to maintain business information confidentiality and non-compete period.

◆ **Develop Business Retention Procedures**

Where a key employee departs (eg. a key sales executive) they may take customers and clients of the business with them, including valuable marketing and customer relationship secrets. If the employee is restrained under a non-compete clause and optionally "give notice" and "garden leave" clauses for a period of time, this can provide a business with sufficient time to rebuild, repair or reconfigure relationships with customers and clients, and thus to retain them. In other words, even if the operational trade secrets pass with the employee, they may end up having less value once the relationships have been re-secured. It is best to develop a procedure for business retention that is actioned as soon as a key employee indicates their intention to leave. This can include immediately terminating systems and physical access, immediately exit-interviewing that employee and immediately placing them on garden leave, as well as enforcing the "notice" period.

◆ **Value Trade Secrets using an appropriate Valuation Model**

Attempt to appropriately value the trade secrets of a business. When a trade secret is properly ascribed a monetary value (preferably by a professional, such as a skilled accountant) its worth to the business can be better understood and appreciated. Appropriate classification and security measures can then be employed for that trade secret.

◆ **Enforce Breaches of Agreements when appropriate**

When a business becomes aware of a serious breach of its trade secret information it should carefully consider litigating to secure appropriate remedies, and to send a clear message to employees and the market. However, trade secret (and confidential information) litigation is complex and highly specialised. It is also very disruptive to the business, in respect of monetary outlay, management time-commitment, and intrusiveness. Careful planning for litigation needs to occur first to minimise each of these disruptions. Careful case preparation for litigation also needs to take place. A business needs to understand the type of relief they will be seeking. Expert legal advice needs to be sought. However, if the guidelines mentioned above are implemented, they will make litigating considerably easier.

◆ **Employ the Patent System when appropriate**

Many trade secrets are also patentable. If a trade secret has a considerable risk of disclosure, or is difficult to keep secret, and/or is extremely valuable, consider protecting it by way of patent. The downside of patenting is that, in typically 18 months time, the idea is published. However, publication can then prevent later misuse by former employees and competitors. The patent of course can also confer other benefits such as a typical 20 year monopoly over an exploitable asset that can be used by the business, or negotiated, licensed, traded etc.

Conclusion and Recommendations

It is now increasingly important (if not necessary) for businesses (such as SMEs in both developed and emerging economies) to adopt effective IP management strategies. A key part of an effective IP management strategy is a comprehensive methodology for managing trade secrets. The guidelines provided above, whilst not exhaustive, can assist in the development of a procedure for an SME to manage its trade secrets. The guidelines are not intended to be too complex, although time and effort will be required to implement them effectively. However, the reward is that the SME will be able to better deal, align and compete with large businesses in developed and emerging markets.

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Copyright and Related Rights Issues for Small and Medium Sized Enterprises

**Hanoi, Vietnam
23 February 2006**

Subject Matters of Copyright & Neighbouring Rights – Berne/Rome

- *Books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature;*
- *Dramatic or dramatico-musical works;*
- *Choreographic works;*
- *Musical compositions with or without words;*
- *Cinematographic works;*
- *Drawings, paintings,*
- *Architecture,*
- *Sculpture, engraving and lithography;*
- *Photographic works,*

Subject Matters of Copyright & Neighbouring Rights – cont'd

- *Works of applied art,*
- *Illustrations,*
- *Maps, plans, sketches and 3-dimensional works relative to geography, topography, architecture or science*
- *Translations, adaptations & arrangements of music & other alterations of a literary or artistic work*
- *Performances*
- *Sound recordings*
- *Broadcasting programmes*

Subject Matters of Copyright & Neighbouring Rights – cont'd

- From the above non-exclusionary list, clear that the subject matters of copyright & related rights laws are inextricably linked to many businesses, often without the conscious realization of the business owners, particularly SME owners
- Multinational companies are generally well advised about their copyright assets and responsibilities

Impact of Copyrights & Related Rights on Our Lives

- From the moment we awaken each morning, our lives, as individuals or as businesses, are in some way affected by copyright and related rights:
 - newspapers we read,
 - Television, radio, cable, satellite,
 - correspondences, documents, research materials we come into or refer to in the course of our work, &
 - the very office buildings in which we toil (work of architecture)

Impact of Copyrights & Related Rights on Our Lives

- movies, videos, music in discos, night clubs, pubs, bars, piano & karaoke lounges
- exercise music in your aerobics class
- quiet joy of reading a book or magazine or
- the thrill of 'surfing on the 'net'.
- And finally, as you lay yourself down to sleep, the designs of your bed and bed sheets may well also be the subject matter of copyright protection

(A) COPYRIGHT & RELATED RIGHTS IN BUSINESS

- All businesses either use and/or own copyrights and related rights
- Thus, it is necessary for an SME to:
 - have some working knowledge of copyrights and related rights,
 - appreciate the value of the copyrights or related rights that it has created,
 - protect them from being infringed,
 - license them and reap the benefits of the creations
 - At the same time, it should also act responsibly and legally when it utilizes the copyrights of others

Issues to be Covered

- **Ownership**
 - Works created by employees
 - Commissioned Works
- **Registration**
- **Licensing**
 - Collective Management Organizations
 - Individual
- **Enforcement**
- **SME as a User** of Copyright Works
- **Economic Value** of Copyright Industries

(B) SPECIFIC COPYRIGHT AND RELATED RIGHTS ISSUES FOR SMEs - Ownership

• First Ownership of Rights

- The owner in a copyright work is generally the original creator or author of the work
 - Section 8, Thai Copyright Law provides that *“the author of a work shall be the owner of copyright in the work of authorship...”*
 - Section 26, Malaysian Copyright Act states that *“copyright ... shall vest initially in the author”*

(B) SPECIFIC COPYRIGHT AND RELATED RIGHTS ISSUES FOR SMEs - Ownership

• Works Created in the Course of Employment

- Often special rules that are not always identical in the different APEC countries pertain to works created in the course of employment and commissioned works
- Thus, in some countries, the copyrights are deemed to vest initially in the employee while in others, in the employer

Works Created in the Course of Employment

- Section 9, Thai Copyright Law states that *“copyright in a work created by an author in the course of employment shall vest in the author unless otherwise agreed in writing, provided that the employer shall be entitled to communicate such work to the public in accordance with the purpose of the employment”*
- Article 9, Korean Copyright Law states *“the authorship of a work which ... is made by ... employee in the course of his duties and made public under the name of such a legal person as the author shall be attributed to that legal person unless otherwise stipulated in a contract”*

Works Created in the Course of Employment

• “Unless otherwise stipulated in the contract of employment”

- Therefore, in contractual relations with employees, it is crucial for the issues of ownership and use of copyrights and related rights to be expressly dealt with

Ownership of Rights in Commissioned Works

- Most copyright laws deal differently with works created under commission vis-à-vis employee works
 - Section 10, Thai Copyright Law provides that *“copyright in a work created on a commission shall vest in the employer* (that is, the person who commissioned the work and not the author, unlike the situation with employee works) *unless the author and the employer have agreed otherwise”*

Ownership of Rights in Commissioned Works

- Article 12, Chinese Taipei Copyright Law provides that *“where a work is completed by a person under commission ... such commissioned person is the author of the work, provided where an agreement stipulates that the commissioning person is the author, such agreement shall govern”*
- Article 17, Chinese Copyright Law provides that *“ownership of copyright in a commissioned work shall be agreed upon in the contract between the commissioning and the commissioned parties. In the absence of such a contract or of an explicit agreement, the copyright in the work shall belong to the commissioned party”*

Ownership of Rights in Commissioned Works

- SMEs often commission a 3rd party, such as a freelance web designer, to create a website for them
- If there is no agreement transferring all copyrights & related rights to the SME, the rights may well belong to the web designer
- If the SME subsequently wishes to make changes to its website presentation as its business requirements evolve, it may need authorization from the web designer, and it may be required to pay additional fees to carry out these changes
- Moral Rights

Registration of Copyrights

- Copyright protection is automatic & does not depend on formalities such as registration
- Despite this, the laws of a number of countries do create a framework for the voluntary registration of copyrights & related rights
- Within the APEC community, some of these countries are the USA, Indonesia, Thailand, the Philippines and Vietnam
- If such is the case, it is highly advisable that a SME that has created or owns any copyright work or related right material should ensure that it is registered

Registration of Copyrights

- While failure to register will not result in a lack of protection, such voluntary registration systems, in order to encourage its use, often provide legal benefits such as making the registration/date of registration prima facie proof of creation date and ownership, and providing for the award of certain kinds of civil damages. Registration would thus come in rather handy in cases of disputes

Licensing Usage of Works - Collective Management Organizations

- If you wish to license your work for use by airlines, ring tone providers, broadcasters, publishers or entertainment establishments such as bars, karaokes and nightclubs, join a collective management organization
- CMOs monitor uses of works on behalf of creators and copyright owners, negotiate licences and collect remuneration on their behalf and distribute these monies back to the owners after deductions for expenses

Licensing Usage of Works - Collective Management Organizations

- CMOs in the field of musical works exist in all the APEC countries with the exception of Brunei.
- In the field of literary works, the numbers of such organizations (RROs) that are operational within APEC are more restricted, being limited to Singapore, the United States, Australia, New Zealand, Canada, Hong Kong, Japan, South Korea, Mexico and Russia
- There are also collecting societies that exist to administer the rights in sound recordings and that of performers, which are separate and different from societies administering the rights in musical works

Licensing Usage of Works - Collective Management Organizations

- Where SME is a user of copyrights, CMOs offer a tremendously useful service to it - rather than deal directly with each individual right holder, CMOs offer users a one-stop shop where rates and terms of use can be negotiated, and where authorizations can be easily and quickly obtained
- Dealing with CMOs save a SME a lot both in terms of time and money
- Where CMOs don't exist, licence agreements need to be negotiated individually, whether the SME is a licensor or licensee

Licences

- It is important for a SME to bear in mind that the laws of some countries do impose certain conditions to facilitate the licensing or assignment process
- Article 45, Indonesian copyright law provides that unless otherwise agreed, a licence shall include all the copyrights accorded by law
- In such a case, imperative for the SME to specify what rights exactly are licensed and for what purpose
- Moreover, Article 47, Indonesian copyright law also states that a licence shall not contain any clauses which may result in unfair business competition and that *"in order to have legal consequences against a third party, a licensing agreement shall be recorded at the Directorate General"*

Enforcement of Rights

- Copyright Owner is free to allow or prohibit the use of the right
- Unauthorized Use - enforce rights administratively or in the courts
- If right has been assigned or entrusted to a CMO for administration, it would be the responsibility of the CMO to enforce the right on behalf of the owner
- Otherwise, it is up to the individual right owner to enforce his/her rights
- Border enforcement measures to prevent the importation of pirated copyright goods are also available

Enforcement of Rights

- Technological protection measures
- Chapter IVbis entitled *'Electronic Rights Management Information'*, Chinese Taipei Copyright Law
- Article 80bis states that *"electronic rights management information made by a copyright owner shall not be removed or altered"*

Economic Value of Copyrights

- There is economic value in copyrights and related rights created and owned by an SME
- May be used as assets to obtain financial loans from banks and other financial institutions

The SME as a User of Copyrights

- “Do not do unto others what you do not wish upon yourself”
- Responsibility of a SME to respect the copyrights and related rights of others in its quest to grow its own business. Thus, if a SME uses someone else’s copyright work or related right in its business, it must first and foremost seek the permission of the owner for the use
- Normally, such permission is granted by way of a licence and the payment of fees or royalties

The SME as a User of Copyrights

- Negotiate and obtain a licence agreement **before** you use or exploit the product
- Once you have used a copyright work before obtaining the necessary permissions, the usage amounts to an infringement and your negotiating position is considerably weakened
- Being sued for copyright infringement incurs additional costs & time that is already often of limited supply to an SME

The SME as a User of Copyrights

- There are exceptions to copyright infringement found in the laws of all countries
- Thus, if the usage undertaken by a SME should fall within one of these exceptions, then, a licence would not be required.
- Such provisions do vary quite widely among countries and it would be beyond us today to deal with them

The SME as a User of Copyrights

Example 1

A opens a karaoke or music lounge or a restaurant in which background music is piped in & a ‘live’ band performs nightly

Example 2

B decides starts a business that publishes assessment books for use by school children

Example 3

C organizes a ‘live’ concert featuring wellknown local performers. All concert proceeds will be donated to a children’s charity nett of payments to the performers. (The concert will of course be excellent PR for C)

Works Published on the Internet

- Copyright protection extend into the digital environment
- Any works protected by copyright, ranging from musical compositions, to multimedia products, newspaper articles and audiovisual productions for which the time of protection has not expired, are protected regardless of whether they are published on paper or by other means for example, on the Internet
- Similarly, authorization is required if your SME is engaged in publishing or making copyright works, sound recordings, broadcasts or performances available through your Internet website

ECONOMIC IMPORTANCE OF COPYRIGHT & RELATED RIGHT INDUSTRIES

- **SINGAPORE**
- Total value added (VA) of S\$2.98 billion or about 1.9% of GDP
- Distribution industries associated with these core creative industries added a further S\$2.02 billion
- Total VA of the copyright industries is S\$5 billion or 3.2% of GDP
- Employment in the creative industries was 47,000 (2.2% of nation-wide employment), with an additional 34,000 persons employed in the distribution industries
- Total employment of the industries was 81,000 or 3.9% of total employment in 2000

ECONOMIC IMPORTANCE OF COPYRIGHT & RELATED RIGHTS INDUSTRIES

- From 1986 to 2000, the creative industries grew by an average of 17.2% per annum, as compared to average annual GDP growth of 10.5%. The fastest growing creative industries are IT, performing arts, cinema services and advertising. Interior/graphics/fashion design and architectural services also exhibited strong growth of over 6%

Copyright and Related Rights Issues for Small and Medium Sized Enterprises

**Hanoi, Vietnam
23 February 2006**

(A) COPYRIGHT & RELATED RIGHTS IN BUSINESS

All businesses, and this include SMEs, either use and/or own copyrights and related rights. Thus, it is important for an SME to have some working knowledge of what copyrights and related rights are, appreciate the value of the copyrights or related rights that it has created, protect them from being infringed, license them wisely and reap the benefits of the creations. At the same time, it should also act responsibly and legally when it utilizes the copyrights of others.

To achieve the foregoing objectives, let us begin with an examination of the ambit and scope of copyrights and related (neighbouring) rights.

Subject Matters of Copyrights and Related Rights

The preamble to the Berne Convention¹ states the desire of countries of the Union to protect the rights of authors in their *literary and artistic works*. Article 2(1) of Berne provides that the expression "literary and artistic works" shall include

"Every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show, musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works, to which are assimilated works expressed by a process analogous to photography, works of applied art, illustrations, maps, plans, sketches and 3-dimensional works relative to geography, topography, architecture or science".

In addition, Article 2(3) makes translations, adaptations, and arrangements of music and other alterations of a literary or artistic work protectable as original works without prejudice to the copyright in the original work, and similarly, Article 2(5) extends copyright protection to collections of literary or artistic works such as encyclopedias and anthologies.

As for neighbouring rights, the title of the Rome Convention, The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, is completely self-explanatory regarding the subject matter protected.

Based on the foregoing, the following are subject matters of copyright and neighbouring rights:

Books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature;
Dramatic or dramatico-musical works;

¹ All APEC members apart from Chinese Taipei are signatories to the Berne Convention. Chinese Taipei is obliged to implement certain Berne standards as a result of its WTO obligations

Choreographic works and entertainments in dumb show;
Musical compositions with or without words;
Cinematographic works to which are assimilated works expressed by a process analogous to cinematography;
Works of drawing, painting,
Architecture,
Sculpture, engraving and lithography;
Photographic works, to which are assimilated works expressed by a process analogous to photography,
Works of applied art,
Illustrations,
Maps, plans, sketches and 3-dimensional works relative to geography, topography, architecture or science
Translations, adaptations, and arrangements of music and other alterations of a literary or artistic work
Performances
Sound recordings
Broadcasting programmes.

From the above non-exclusionary list, it is clear that the subject matters of copyright and related rights laws are inextricably linked to many businesses, often without the conscious realization of the business owners, particularly SME² owners. In fact, from the moment we awaken each morning, our lives, whether as individuals or as businesses are in some way affected by copyright and related rights - the newspapers which we read, the news on television and/or from satellite transmissions, the music on the radio, the correspondences, documents, research materials we come into or refer to in the course of our work and the very office buildings in which we toil (work of architecture).

Many of the joys and activities of the after-office hours are equally the subject matter of copyright protection - the movies, videos, television, cable or radio programmes, the throb of music in the discotheques, night clubs, pubs, bars, piano and karaoke lounges, the exercise music in your aerobics class, for others, the quiet joy of reading a book or magazine or the thrill of 'surfing on the 'net'. And finally, as you lay yourself down to sleep, the designs of your bed and bed sheets may well also be the subject matter of copyright protection.

(B) SPECIFIC COPYRIGHT AND RELATED RIGHTS ISSUES FOR SMEs

From the above list of subject matters of copyright or related rights, it is clear that many SMEs are directly or indirectly involved in the copyright industries, for examples, creating, publishing, recording, distributing or selling works protected by copyright or related rights. In such cases, the SME should take appropriate measures to exercise, license and enforce its copyrights or related rights.

² Multinational companies are generally well advised about their copyright assets and responsibilities

Additionally, it should be borne in mind that corporate publications, brochures, websites, TV or newspaper advertisements, marketing videos are all subject matters protected under copyright legislation.

First Ownership of Rights

The owner in a copyright work is generally the original creator or author of the work. For example³, Section 8 of the Thai Copyright Law (1995) provides that *“the author of a work shall be the owner of copyright in the work of authorship...”*.

Works Created in the Course of Employment

There are often, however, special rules, that are not always identical in the different APEC countries, pertaining to works created in the course of employment and commissioned⁴ works. Thus, in some countries, the copyrights are deemed to vest initially in the employee while in others, in the employer. An example of the former could be found in Section 9 of the Thai Copyright Law (1995) which states that *“copyright in a work created by an author in the course of employment shall vest in the author unless otherwise agreed in writing, provided that the employer shall be entitled to communicate such work to the public in accordance with the purpose of the employment”* while an example⁵ of the latter could be found in Article 11 of the copyright law of China which provides inter alia that *“where a work is created under the auspices and according to the intention of a legal entity or other organization, which bears responsibility for the work, the said legal entity or organization shall be deemed to be the author⁶ of the work”*.

From the various quoted legislations, it is obvious that in contractual relations with employees, it is crucial for the issues of ownership and use of copyrights and related rights to be expressly dealt with⁷. This is particularly so as the legislations often used the phrase *“unless there is agreement to the contrary”*. Thus, in Thailand, a SME employer may wish to expressly specify in the employment contract that all copyrights or related rights created in the course of employment would belong to it while in Malaysia, an employee could by contract vary the ownership of these rights. This will minimize subsequent disputes over who owns what and the kinds of circumstances that they may be used with or without permission.

Commissioned Works

³ As another example, Section 26 of the Malaysian Copyright Act states that “copyright ... shall vest initially in the author”. An author is defined inter alia in Section 3 in relation to literary works, as the writer, in relation to musical works, as the composer, in relation to artistic works, the artist, in relation to photographs, the photographer, etc.

⁴

⁵ Section 26(2) of the Malaysian Copyright Act states that “where a work ... is made in the course of the author’s employment, the copyright shall be deemed to be transferred to the ... author’s employer, subject to any agreement between the parties excluding or limiting such transfer”. A further example would be Article 11 of the copyright law of Chinese Taipei which states that “where a work is completed by an employee within the scope of employment, such employee is the author of the work, provided where an agreement stipulates that the employer is the author, such agreement shall govern”.

⁶ Article 11 also provides that “copyright in a work shall belong to its author

⁷ A clause expressly included in a written contract of employment would be the best arrangement

Most copyright laws deal differently with works created under commission vis-à-vis employee works. Looking again at Thailand, Section 10 of the Thai Copyright Law (1995) provides that *“copyright in a work created on a commission shall vest in the employer (that is, the person who commissioned the work and not the author, unlike the situation with employee works) unless the author and the employer have agreed otherwise”*. The reverse is now true in Chinese Taipei where Article 12 of the Copyright Law provides that *“where a work is completed by a person under commission ... such commissioned person is the author of the work, provided where an agreement stipulates that the commissioning person is the author⁸, such agreement shall govern”*. Similarly, Article 17 of the copyright law of China provides that *“the ownership of the copyright in a commissioned work shall be agreed upon in a contract between the commissioning and the commissioned parties. In the absence of such a contract or of an explicit agreement in such a contract, the copyright in the work shall belong to the commissioned party”*.

Thus, similarly with employee works, an SME would do well to expressly deal with the issues of copyrights and related rights in its contracts with third parties with whom it may wish to commission for work to be done. A simple and very common example would suffice. SMEs very often commission a third party, such as a freelance web designer, to create a website for them. If there is no agreement transferring all copyrights and related rights to the SME, the rights may well belong to the web designer⁹. If the SME subsequently wishes to make changes to its website presentation as its business requirements evolve, it may need authorization from the web designer, and it may be required to pay additional fees to carry out these changes.

In addition to the economic rights, an SME should also take cognizance of the moral rights attached to copyright works. It is therefore imperative for an SME to know clearly what the law of a particular country provides in relation to ownership of works, works created under employment and commissioned works and to insert suitably worded clauses in employment or commissioning contracts to ensure that the copyrights or related rights belong to the appropriate party.

Registration

Every so often, I will receive a phone call or email asking for assistance in registering a copyright work. Unlike patents or trademarks, copyright protection is automatic and does not depend on formalities such as registration. The relevant international conventions specifically provide that registration shall not be a condition precedent for copyright or related rights protection. Despite this, the laws of a number of countries do create a framework for the voluntary registration of copyrights and related rights. Within the APEC community, some of these countries are the USA, Indonesia¹⁰, Thailand, the Philippines¹¹ and Vietnam. If such is the case, it is highly

⁸ Please note that there are additional provisions on who may enjoy or exploit the economic rights in the commissioned works

⁹ This would certainly be the case if the web designer and the commissioned work are in China

¹⁰ See Chapter IV of the Thai Copyright Act

advisable that a SME that has created or owns any copyright work or related right material should ensure that it is registered. While failure to register will not result in a lack of protection, such voluntary registration systems, in order to encourage its use, often provide legal benefits such as making the registration/date of registration prima facie proof of creation date and ownership, and providing for the award of certain kinds of civil damages. Registration would thus come in rather handy in cases of disputes.

Licensing Usage of Works - Collective Management Organizations

If you wish to license your work for use by such as airlines, ring tone providers, broadcasters, publishers or entertainment establishments such as bars, karaokes and nightclubs, joining¹² a collective management organization (also known as authors' society) would be the best option. Collective management organizations monitor uses of works on behalf of creators and copyright owners, negotiate licences¹³ and collect remuneration on their behalf and distribute these monies back to the owners after deductions for actual administrative and other allowed expenses. 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 where 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.

Collective management organizations in the field of musical works¹⁴ exist in all the APEC countries with the exception of Brunei¹⁵. In the field of literary works, the numbers of such organizations¹⁶ that are operational within APEC are more restricted, being limited to Singapore, the United States, Australia, New Zealand, Canada, Hong Kong, Japan, South Korea, Mexico and Russia.

If a SME is a user of copyrights, collective management organizations or authors' societies also offer a tremendously useful service to it. Rather than dealing directly with each individual author or right holder, collective management organizations offer users a one-stop shop where rates and terms of use can be negotiated, and where authorizations can be easily and quickly obtained. Dealing with collective management societies, wherever possible, could save a SME a lot both in terms of time and money. Where collective management societies are not available, licence agreements need to be negotiated individually, whether the SME is a licensor or licensee. In this connection, it is important for a SME to bear in mind that the laws

¹¹ See Chapter IX of the IP Code of the Philippines

¹² Indeed, the copyright laws of a number of APEC countries make express reference to and in some cases, additional regulations governing such organizations have also been brought into force. One example would be in the Philippines where

¹³ As a general rule, once a right is entrusted to a collective management for administration, the right owner can no longer deal with that right individually but is required to refer any potential licensee to the CMO for a licence

¹⁴ There are also collecting societies that exist to administer the rights in sound recordings and that of performers, which are separate and different from societies administering the rights in musical works.

¹⁵ The PRS(UK) issues a limited number of licences in Brunei

¹⁶ Such organizations are often referred to as reprographic rights organizations or photocopying societies

of some countries do impose certain conditions to facilitate the licensing or assignment process. Thus, for example, Article 45 of the Indonesian copyright law provides that unless otherwise agreed, a licence shall include all the copyrights accorded by law. In such a case, it becomes imperative for the SME to specify what rights exactly are licensed and for what purpose. Moreover, Article 47 of the Indonesian copyright law goes on further to state that a licence shall not contain any clauses which may result in unfair business competition and that *“in order to have legal consequences against a third party, a licensing agreement shall be recorded at the Directorate General¹⁷”*.

Enforcement of Rights

The owner of a copyright or related right is free to allow or prohibit the use of the right. If you discover anybody using your copyright works without authorization you may enforce your rights administratively and in the courts. If the right has been assigned or entrusted to a collective management organization for administration, it would be the responsibility of the CMO¹⁸ to enforce the right on behalf of the owner. Otherwise, it is also up to the individual right owner to enforce his/her rights. Expert advice by a copyright attorney, the national copyright office or the relevant enforcement authorities¹⁹ is recommended whenever you discover that your works are being infringed.

In many countries, so-called border measures to prevent the importation of pirated copyright goods are also available. 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. The laws of many of the APEC countries now contain provisions governing such technological protection measures²⁰. An example would be the new Chapter IVbis entitled ‘Electronic Rights Management Information’ of the copyright law of Chinese Taipei²¹. In brief, Article 80bis states that *“electronic rights management information made by a copyright owner shall not be removed or altered”²²*. Moreover, a person is prohibited from possessing, importing, distributing, or other dealings with the knowledge that the electronic rights management information of the work has been unlawfully removed or altered.

Economic Value of Copyrights

¹⁷ The Directorate General charged with overseeing copyright affairs in the country

¹⁸ Such practices are well recognized. For example, the copyright law of the Philippines (Section 183) provides that “copyright owners or their heirs may designate a society of artists, writers or composers to enforce their economic rights ... on their behalf”.

¹⁹ Such as the police or customs authorities

²⁰ At the international level, it is a well known fact that the WCT and the WPPT were agreed upon by countries to attend to certain pressing issues relating to the Internet era.

²¹ For another example, see also Chapter Two, Part 8, articles 27 and 28 and regulations pertaining thereto

²² There are exceptions to this rule. Please see Article 80bis in detail

There is economic value in copyrights and related rights created and owned by an SME. They may be used as assets to obtain financial loans from banks and other financial institutions. A number of accounting firms now have experts that are able to put a value on such assets to facilitate the loan process.

The SME as a User of Copyrights and Related Rights

There is a wise saying – “Do not do unto others what you do not wish upon yourself”. Put in our present context, it simply means that it is the responsibility of a SME to respect the copyrights and related rights of others in its quest to grow its own business. Thus, if a SME uses someone else’s copyright work or related right in its business, it must first and foremost seek the permission of the owner for the use²³. Normally, such permission is granted by way of a licence and the payment of fees or royalties²⁴.

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. In relation to licensing, you should find out whether the rights are administered by a collective management organization or by the author or producer directly and negotiate a license agreement **before** you use or exploit the product. Once you have used a copyright work before obtaining the necessary permissions, the usage amounts to an infringement and your negotiating position is considerably weakened, even negated. Being sued for copyright infringement incurs additional costs and time that is already often of limited supply to an SME.

There are of course exceptions to copyright infringement to be found in the laws of all countries. Thus, if the usage undertaken by a SME should fall within one of these exceptions, then, a licence would not be required. Such provisions do vary quite widely among countries and it would be beyond the scope of this paper to deal with them. It is recommended that expert legal advice be sought if a business is of the view that its usage falls within any legal exception.

At this juncture, I would like you to reflect for a moment on what copyright or related rights issues may arise in the following examples.

Example 1

A decides to open a karaoke or music lounge or a restaurant in which background music will be piped in and a ‘live’ band will perform nightly

Example 2

²³ Unless the use falls within one of the fair dealing/fair use exceptions allowed under national copyright laws

²⁴ Such royalties may be self administered or collected by the owner through an intermediary such as an agent, a publisher, or a collective management organization

B decides to start a business that will publish assessment books for use by school going children or a company that provides training

Example 3

C decides to organize a 'live' concert featuring a number of wellknown local performers. All proceeds from the concert will be donated to a children's charity nett of payments to the performers. The concert will of course be excellent PR for C, a SME.

Works Published on the Internet

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

Finally, I would like to conclude by sharing with you the economic importance of the copyright and related rights industries

(C) THE ECONOMIC IMPORTANCE OF THE COPYRIGHT & RELATED RIGHTS INDUSTRIES

From the list of copyright and neighbouring rights subject matter enumerated earlier, we can see that they form the backbone of numerous businesses and industries in many, if not all, countries. These have been variously described as the cultural, creative or copyright industries. The economic importance of these industries cannot be overestimated. Let us take a look at some of the studies that have been undertaken in recent years, starting with my home country.

SINGAPORE

For 2000, the creative industries contributed a total value added (VA) of S\$2.98 billion or about 1.9% of GDP. Distribution industries associated with these core creative industries added a further S\$2.02 billion, bringing the total VA of the copyright industries to S\$5 billion or 3.2% of GDP. Employment in the creative industries was 47,000 (2.2% of nation-wide employment), with an additional 34,000 persons employed in the distribution industries. Hence, the total employment of the industries was 81,000 or 3.9% of total employment in 2000. The sector with the highest value added and employment was the IT sector, which accounted for 38% of the creative industries' value added and 31% of employment in 2000. Creative

industry exports at S\$536 million in 2000 are modest while the distribution industries have relatively high export content, totaling S\$3.13 billion.

From 1986 to 2000, the creative industries grew by an average of 17.2% per annum, as compared to average annual GDP growth of 10.5%. The fastest growing creative industries are IT, performing arts, cinema services and advertising. Interior/graphics/fashion design and architectural services also exhibited strong growth of over 6%.

UNITED KINGDOM

A number of similar studies have been published in the United Kingdom. In 1994, it was found that the value added to the GDP of the United Kingdom in 1990 (the year of the first study) by industries, which were directly dependent on copyright was 3.6%. Those industries employed about 800,000 persons. If the output of industries, which are substantially dependent on copyright, is added, the total share of the copyright industries to the GDP is 5.4%. It is of further interest to note that another study by an organization called British Invisibles revealed that the overseas revenues of the *music industry alone* in 1993 was £1.157 billion with only the spirit distilling and construction businesses boasting better exports.

The studies were consolidated and updated in 2000. By this time, the creative industries²⁵ are found to be a 'significant contributor to the UK economy – accounting for 7.9% of GDP, and growing significantly faster than the economy as a whole'. Four key sectors within this industry account for three-quarters of the economic value of the grouping, namely, design – 2.8%, software – 1.6%, publishing – 0.9% and advertising – 0.7%. The creative industries grew by an average of 9% per annum between 1997 and 2000, compared to an average of 2.8% for the whole economy over the same period. Exports contributed 8.7 billion pounds to the balance of trade in 2000, equating to 3.3% of all goods and services exported. Exports of the creative industries grew at around 13% per annum over 1997 to 2000.

By comparison, the value of all goods and services exported combined grew by only 5%.

In December 2001, creative employment totaled 1.95 million jobs, comprising 1.15 million jobs in the creative industries with a further 800,000 creative jobs in companies outside the creative industries. Over the period under study, employment in the creative industries grew at a rate of 5% per annum versus 1.5% for the whole economy. In 2001, there are around 135,000 companies in the creative industries. Two thirds of these enterprises are accounted for by 2 sectors –

²⁵ "Creative Industries" were defined as 'those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. This includes advertising, architecture, the art and antique market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer services, television and radio'.

the software and electronic publishing (56,000 enterprises) and music and the visual and performing arts (33,000 enterprises).

JAPAN

Japanese studies also led to broadly similar findings. In a study released in March 2001, it was found that the overall Japanese copyright industry reached a size of Y30.433 trillion in terms of total value of products and Y10.904 trillion in terms of value added. This value added figure represents 2.3% of Japan's GDP. Over a 5-year period from 1994 to 1998, the copyright industry recorded growth rates averaging 5.9% annually while the national GDP increased at a corresponding rate of 1.3%.

When compared against other Japanese industries in terms of value added, the copyright industry outranked agriculture (1.6% of GDP), iron and steel (1.4%), transportation (2.1% of GDP), electrical power (2.3% of GDP), is almost the same as the telecommunications industry (also at 2.3% of GDP) and behind only the food industry (2.6% of GDP).

AUSTRALIA

The Australian National Copyright Industry Alliance released its study in 2001, which unequivocally demonstrated that individual creators and industries based on copyright are increasingly major contributors to Australia's economic strength and future. This latest report (there was an earlier study conducted in 1992) made the following key findings:

Gross Domestic Product

Copyright industries contributed A\$19.2 billion which represented 3.3% of Australia's GDP in 1999-2000. The economic contribution of the copyright industries to Australia's GDP has in fact grown steadily from 2.2% in 1980-81 to the 3.3% mentioned earlier. Of the A\$19.2 billion, the core copyright industries accounted for A\$9.7 billion, the partial copyright industries accounted for A\$3.9 billion, while the copyright distribution industries contributed A\$4.6 billion.

Average Annual Growth Rate

Indeed, the copyright industries are one of the fastest growing sectors of the economy. Over the period 1996-97 to 1999-2000, the copyright industries grew at an average rate of 5.7%. This growth rate significantly exceeded the average annual growth rate of the total economy over the same period (4.85% per year) as well as other industries such as wholesale trade (5.6%); agriculture, forestry and fishing (5.1%); personal and other services (4.4%); and cultural and recreational services (2.9%).

Employment

As at June 1999-2000, 3.8% of Australia's workforce was employed in the copyright industries. This is comparable to employment levels in sectors such as government administration and defence, and personal and other services. Employment in the copyright industries has grown at an average annual growth rate of 2.7% from 1995-1996 to 1999-2000. This is higher than the 2% average annual growth in employment over the economy as a whole.

Imports and Exports

Although Australia continues to remain a net importer of copyright material, the growth rate in exports continues to outstrip the growth rate of imports, but off a lower base. Over the period 1995-96 to 1999-2000:

*Export revenue from the core copyright sector increased by 44%, while the value of imports increased by around 29% and

*Export revenue from the distribution sector increased by 300%, while the value of imports increased by around 77%.

These figures have contributed to a total growth rate in revenue from copyright materials in excess of 36%, and a total growth rate of around 27% for revenues paid for copyright materials.

NEW ZEALAND

A New Zealand study found that in 1994, value added associated with copyright industries was between 3.2 and 3.3% of GDP. A further study in 1997 reported that employment in copyright industries account for 1.8% of all employment in New Zealand in 1996.

FINLAND

A study conducted in 2000 in Finland revealed the following:

- (1) The cumulative value added of the core copyright industries represented 4.13% of GDP in 1997. This represented a 41% increase from 2.92% of GDP in 1988. It also grew twice as rapidly as the growth in the general economy.
- (2) The copyright dependent industries contributed 0.92% to the GDP.
- (3) The aggregate economic importance of the core copyright and the copyright-dependent industries totaled 5.05%.
- (4) The core copyright industries employed some 86,410 persons while the copyright dependent industries employed a further 14,298 persons. In percentage terms, this accounted for 4.64% of the total workforce.

Copyright & Related Rights for SMEs: The Challenges

In the last 10 years, there has been an exponential growth in the number of technological means that can produce and disseminate protected copyright works. Satellite and cable transmissions technology have made it possible to broadcast or communicate works to populations on a scale and with a quality, which would have

been impossible just a decade ago. Computer programs and databases have made possible storage of enormous quantities of protected works and other information which can be assessed easily from anywhere in the world. Electronically stored documents and other information can be transmitted and printed and documents need not any more be printed or published; they can be stored in an information data base and from there delivered electronically.

The opportunities and challenges of copyright and neighbouring rights to SMEs are never greater in the context of recent technological advances. A good copyright protection system is necessary to protect all the creations that are being generated daily of SMEs throughout the world. The need for copyright protection at the start of the 21st century has never been greater. I wish all of you great success in this year of the dog.

ANG KWEE TIANG
CISAC ASIA-PACIFIC

Exploitation of IP Assets: Direct Exploitation, Licensing and Other Types of Strategic Business Relationships



Stephen Pinkos
Deputy Under Secretary of Commerce
for Intellectual Property and Deputy Director
of the U.S. Patent and Trademark Office



In Today's Economy, IP is King

- "In recent decades, the fraction of the total output of [the U.S.] economy that is essentially conceptual rather than physical has been rising. The trend has, of necessity, shifted the emphasis in asset valuation from physical property to intellectual property and to the legal rights inherent in intellectual property."
 - --U.S. Federal Reserve Chairman Alan Greenspan, February 27, 2004
- Same is True Throughout APEC and the World

7/27/2009

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In Today's Economy, IP is King

- Recent study by Economists Inc. indicates that:
 - U.S. IP industries are responsible for 20% of the U.S. private sector's contribution to GDP
 - The 18,000,000 workers in U.S. IP industries earn on average 40% more than all U.S. workers

7/27/2009

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In Today's Economy, IP is King

- U.S. experience is not unique
 - World Economic Forum Global Competitiveness Report establishes correlation between IPR protection and national competitiveness
 - The 20 countries having the most stringent IPR protection were among the Top 27 in WEF's growth competitiveness index, while the 20 countries with the weakest IPR protection were among the bottom 36

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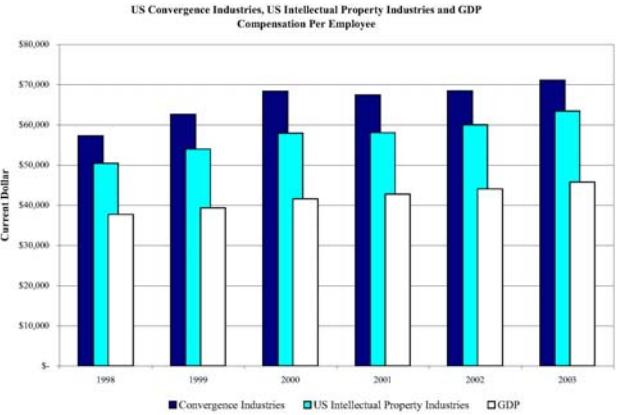
In Today's Economy, IP is King

- According to IDC Study, the Global Information Technology Sector Alone:
 - Accounts for 1.1 million businesses;
 - Supports 11 million jobs;
 - Generates \$900 Billion in taxes; and
 - Adds \$1.7 Trillion per year to the global economy

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Chart XIII



How Can SME's Get a Piece of the Action?

- **Identify** IPR
- **Protect** IPR
- **Exploit** IPR
- **Enforce** IPR

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How Can SME's Get a Piece of the Action?

- Tomorrow's session on integrating IPR into business plans and strategies will focus on identification, development, protection and management of IPR
- This morning I will focus on **exploitation**

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Failure to Exploit IP Assets = Waste of Business Potential And Investment and Reduces the Competitiveness of an Enterprise



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How Can IP Assets be Exploited? An Example



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How Can IP Assets be Exploited? An Example

COCA COLA®

well known consumer product used worldwide
based in large part on intellectual properties effectively exploited

product incorporates all major forms of IPR:

- patents
- trademarks
- copyrights
- trade secrets

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How Can IP Assets be Exploited? An Example

COCA COLA® patents

- approximately 800 U.S. patents
- approximately 1,800 outside the U.S.
- cover various product-related technologies
 - packaging
 - vending equipment
 - fountain equipment
 - water treatment

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How Can IP Assets be Exploited? An Example

COCA COLA® copyrights

- advertising and merchandising materials
 - newspaper, television and radio ads
 - artwork on bottles
- company manuals
- jingles (songs and recordings)
- software used to run business

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How Can IP Assets be Exploited? An Example

COCA COLA® product trademarks

COCA COLA® and variations thereof

COKE®

DIET COKE®

Slogans

SO REAL YOU CAN TASTE IT®

HAVE A COKE AND A SMILE™

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How Can IP Assets be Exploited? An Example

COCA COLA® Trade Dress--Bottle Shapes



U.S. Reg. No. 2,951,925



U.S. Reg. No. 1,057,884

(actual drawings registered with USPTO)

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How Can IP Assets be Exploited? An Example

COCA-COLA® Trade Secret:

FORMULA FOR MAKING COKE!!!!

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Strategic Exploitation of IP

- Coca-Cola carefully considered its IP use and exploitation strategies for COCA COLA® formula
 - Patent protection for formula would have expired
 - Trade secrets, however, do not expire, as long as they are maintained as secrets
 - Coca-Cola therefore chose trade secret rather than patent protection for its formula, and as a result Coca-Cola is one of world's most successful businesses
- SMEs should consider IP options just as carefully and can benefit just as much from smart exploitation strategies

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Exploitation of IP By SMEs— Some Options

- Licensing
 - Permitting use of IP for consideration
 - IP owner maintains ownership
 - IP owner derives revenue from licensee
 - IP owner may place costs of production, distribution, etc., on licensee
 - Potentially very lucrative—IBM earns \$1.5 billion annually from IP licensing
- Joint venture
 - Cooperative development and/or exploitation of IP
 - Sharing of risks and rewards
- Sale or resale arrangements
- Merchandising

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Exploitation of IP By SMEs— Some Options

- Merchandising
 - Extends IP to ancillary products and services, increasing its value
 - Sports jerseys with team logos or player names and numbers
 - Toys based on popular movies or books
 - Movie posters
 - WORLD CUP 2006 coffee cups, notebooks, etc.
 - Very low risk for licensor
 - Effective marketing tool for brand, product or service

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Licensing for SMEs—The Franchise Example

- Well Known U.S. Franchise Operations



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Licensing for SMEs—The Franchise Example

- What is a franchise?
 - Contract by which business “system” is licensed in exchange for a fee
 - The “system” is usually comprised primarily of IP
 - Trademark/brand
 - MCDONALDS
 - MIDAS
 - UPS STORE
 - Trade secret
 - Method of operating business
 - Marketing strategies
 - Copyright
 - Advertising and marketing materials
 - Artwork/signs
 - Training and teaching materials

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Licensing for SMEs—The Franchise Example

- Advantages of franchise arrangement for SMEs
 - Benefit from known brand with relatively little investment
 - Low risk of failure as system is already developed and proven to be successful
 - Collective purchasing by franchisees reduces costs
 - Training and support often offered by franchisor
 - Financing is made easier because business is known, proven and understood
 - R&D is conducted by franchisor, but franchisee benefits

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Licensing for SMEs—The Franchise Example

- Some disadvantages of franchise arrangement for SMEs
 - IP ultimately owned by franchisor
 - Freedom to act and innovate is usually limited by franchise agreement
 - Innovations by franchisees generally assigned automatically to franchisor per agreement
 - Portion of profits must be paid to franchisor

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Licensing for SMEs—The Franchise Example

- Success and impact of franchises
 - Approximately 14% of total world retail sales are made by franchises
 - 1 in 12 new businesses in U.S. is a franchise
 - In Malaysia, total franchise sales exceed \$5 billion annually, employing 80,000 people

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Other IPR Considerations for Businesses

- IP Benefits
 - Gives confidence to investors and potential acquirors or partners
 - Proof of innovation
 - Ability to exclude competitors is highly valued
 - More flexible asset than real estate, fixed assets, etc.
 - May yield favorable tax benefits compared to other types of property
 - many companies enjoy tax benefits by assigning IP to related company in one jurisdiction and taking license to use it in another jurisdiction

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International Exploitation of IPR

- Considerations in deciding whether to exploit IP internationally
 - Ability to prevent manufacturers, licensees, others from misappropriating IP vs. likely profit to be derived from new market
 - Cost of registering and maintaining IP rights in export markets
 - Adequacy of legal protections for IP in developing countries
 - Adequacy of enforcement mechanisms in developing countries
 - Timing
 - When rights are likely to accrue/be granted
 - Anticipated lifespan of IP rights
 - Value of IP in given market *vis a vis* competition

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International Exploitation of IPR

- International opportunities are vast
 - in China or India, for example, selling to a fraction of 1% of the population translates into massive sales
- International perils are also vast
 - Numerous examples of factories licensed to produce clothing, golf clubs, CDs, DVDs and other products using molds, files and IP to make unauthorized, counterfeit or pirated product
 - Seemingly simple issues such as translating trademarks can yield huge problems
 - When Coca-Cola initially translated its mark into Chinese in the 1920's, the result was understood as "bite the wax tadpole"
 - When Chevrolet introduced its NOVA automobile to Latin America, the mark was understood as "no va," meaning "it does not go"

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International Exploitation of IPR—Examples from Vietnam

- Several Vietnamese companies have successfully developed and exploited IPR, not only here in Vietnam, but internationally
- Let's look at some examples

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INTERNATIONAL PROTECT AND TRADEMARKS DEPARTMENT OF COMMERCE

International Exploitation of IPR—Examples from Vietnam



Started 10 years ago, the company effectively used its trademark to promote the coffee's distinctiveness and high quality. In 2000, it opened its 100th coffee bar, in 2002 it expanded to Singapore and Thailand and is now a successful franchisor in Vietnam and internationally.

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INTERNATIONAL PROTECT AND TRADEMARKS DEPARTMENT OF COMMERCE

International Exploitation of IPR—Examples from Vietnam



TRUNG NGUYỄN TRADEMARK AND LOGO ARE SO IMPORTANT TO THE COMPANY, THAT ITS WEB SITE CONTAINS AN ENTIRE PAGE DEVOTED TO BOTH:

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INTERNATIONAL PROTECT AND TRADEMARKS DEPARTMENT OF COMMERCE

International Exploitation of IPR—Examples from Vietnam



The screenshot shows a webpage titled "TRUNG NGUYỄN" with a navigation menu including "Home page", "About Us", "Products", "C7 coffee shop", "Customer Center", "Contact Us", and "Site map". The main content area is titled "MEANING OF LOGO" and features the TRUNG NGUYỄN COFFEE logo. Below the logo, there is a detailed explanation of the logo's design and meaning, including the text: "Logo of the coffee product expresses a modern style. The black of the dimension space is carved...".

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INTERNATIONAL PROTECT AND TRADEMARKS DEPARTMENT OF COMMERCE

International Exploitation of IPR—Examples from Vietnam

- NGOC DONG HANAM rattan furniture is another successful Vietnamese brand
- NGOC DONG signifies Ngoc Dong village, known for its unique rattan products
- It also signifies a unique manufacturing process, where supervisors oversee weavers throughout the country
- Its Web site, shown on the next slide, explains NGOC DONG's unique attributes

UNITED STATES PATENT AND TRADEMARK OFFICE
DEPARTMENT OF COMMERCE

International Exploitation of IPR—Examples from Vietnam

Counterfeit products: Ngoc Dong Namam, including trademarks, names and business processes and register

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UNITED STATES PATENT AND TRADEMARK OFFICE
DEPARTMENT OF COMMERCE

Practical Considerations

- Necessity of protecting customers
 - Counterfeit products are often unsafe and substandard
 - Automobile brakes made of sawdust
 - Pharmaceuticals with no active ingredients or substitute ingredients including poison
 - Problems with counterfeit products harm right holders' trademarks and reputation
- Publicity of enforcement efforts presents some risk
 - Customers learning of counterfeits may be scared away from authentic product
 - Company can be seen as "bullying" counterfeiters and pirates trying to make a living
- Importance of working with local investigators, attorneys

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UNITED STATES PATENT AND TRADEMARK OFFICE
DEPARTMENT OF COMMERCE

THANK YOU FOR YOUR PARTICIPATION IN THIS PROGRAM!!!

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Small & Medium Enterprises (SME)

Use of IPR in business in VN

SME Defined

Official definition:

- Registered with capital of VND 10 billion (US\$700,000)

OR

- Annual average of 300 workers or less

Areas of IPR

- Copyright
- Industrial Property

New IPR Code in VN

- General provisions under Civil Code
- New IPR Code enacted in December 2005.
 - 222 Articles
- Enforcement and registration procedure

Problem Stated

- Infringement of IPR has been widespread
- Assessment & protection of IPR not a priority.
- Branding, naming and trade marks seen as important
 - R & D not a priority
- No perceived value in registration of patentable materials.

Patents

- SME generally lack resources for R & D
- Therefore relatively few patent applications filed by SMEs
- Most patent applications filed by individuals rather than businesses
 - Why?

Trade Marks

- Increase in registration of Trade Marks and Industrial Designs
- Local applications now more than twice the number of foreign applications

Industrial Designs

- Most relate to packaging and in conjunction with trade marks
- Registration by SMEs exceeds foreign companies
- Design concept vague as to scope of protection

Copyright

- Generally regarded as a more problematic area than Industrial Property

National University of HCM City Study

- Perceived obstacles:
 - No value in registration of IPR
 - Lack of effective enforcement
 - Unavailability of support services
 - Long and complex procedures
 - Lack of funding
 - Lack of knowledge of the IPR system

Branding

Seen as important for:

- Competitiveness
- Generation of revenue
- Protection of market position

Some services perceived as essential

- Business plans and IP strategy
- Branding, naming and research
- IP audit and valuation for business negotiations and financing purposes
 - Competition intelligence
 - Patent mapping

Services important for generating revenue

- Business plans and IP strategy
- Market studies and technical feasibility studies
- Financial and other incentives for R & D commercialization
 - Branding

Implementing solutions for problems

- Reduction of time factor
- Reduction of excessive paperwork
- Funding for filing and procedures
- Support centers - NOIP and local provincial programs
- More effective enforcement

Public Providers of IP - BDS

- Public institutions still not sufficiently proactive or oriented to the needs of business
- Some IP services at provincial level under the Ministry of Science and Technology are active and have experience and capacity.
- Public service providers at provincial levels generally still lack sufficient financial resources and properly educated staff with a user friendly approach towards business.
- Some associations and institutions are providing programs to benefit their members.

Private Providers of IP - BDS

- Private providers of IP-BDS still limited in number and accessibility. Mainly located in Hanoi and HCMC.
- The quality of service is not consistent. They remain costly.

Law Firms as Providers of IP - BDS

- Providers of BDS services including IP law firms and IP agencies are very limited.
- Approximately 3500 attorneys at law in Vietnam.
- Law Firms most commonly used BDS in relation to:
 - setting up companies
 - consulting and providing advice concerning business operations and litigation (mainly involving trade marks and unfair competition)
 - general advice concerning IPR and filing.

IP Audit and Related Services

- IP audit, financial and other services for R & D and commercialization, market studies and technical feasibility studies, patent drafting and patent mapping, are not generally available.
- Other related services not well developed or lack expertise. These include IP valuation services for business planning, strategy, negotiating and obtaining finance.
- Specific need for audit and evaluation services as part of business strategies.

Draft Outline for Paper

Small & Medium Enterprises and the use of IPR as a tool for economic development in Vietnam

1. Small and Medium Enterprises

As the focus of this discussion paper is on Small and Medium Sized Enterprises in Vietnam, it is necessary to begin with a definition of a SME. The Vietnamese government has provided a formal definition of a SME in 2001 in Decree No. 91/2001/CP-ND. According to this Decree SMEs are “*independent entities which have registered their business in accordance with prevailing laws, with registered capital of not more than VND 10 billion (\$US700,000) or an annual average number of workers of not more than 300*”.

Under this definition 95% of businesses in Vietnam qualify as SMEs. Private companies have, on average only about 31 employees and a registered capital of approximately VND 3 billion (USD 200,000). By comparison, SOEs have an average of 431 employees and are registered with a capital of approximately VND 167 billion (USD 10 million). Foreign Direct Investment Companies (FDICs) have an average of 299 employees and are registered with a capital of approximately VND 134 billion. An increasing number of FDICs are 100% foreign owned rather than joint venture companies with a Vietnamese partner. There are also 5000 SOEs and 3000 Foreign Invested Companies.

There are now more than 225,000 SMEs in Vietnam. Most of these are in growth centers like HCMC, Hanoi, Da Nang, Binh Duong, Dong Nai and Hai Phong. They have a combined registered capital of VND 400 trillion (USD 25 million). SMEs account for 26% of the workforce and 26% of the GDP. They are the main source of job generation for newcomers to the labor market.

2. Intellectual Property

IP is generally divided into the two areas of Industrial Property and Copyright (Industrial Property is taken to include Patents and Utility Solutions Trademarks, Service Marks, Company Trade Names, Geographical Indications, Industrial Designs, Trade Secrets and Technical Know-How, Integrated Circuits and Plant Varieties).

3. A New IPR Code

General provisions relating to IPR remain in force in Vietnam under the Civil Code. But a comprehensive new IP Code was enacted on the 19th December 2005. The new Code contains 222 articles and ensures compliance with requirements for TRIPS as a prerequisite for WTO membership (particularly in the area of enforcement). It also addresses a number of local problems - particularly the need for shorter time frames for registration procedures.

4. The problem stated

The infringement of IPR has been widespread in Vietnam (and other countries in the ASEAN region) for many years. For example, universities will copy text books for students and there are many retail outlets for copied CDs and DVDs. Copied brand names for clothing and accessories are readily available from markets throughout the country. Availability of cheap copied material is often a significant factor in attracting tourists to the region. But it has reinforced a widely held perception that protection of IPR is a waste of time (Trade marks may be one exception to this rule). There is an awareness that membership of WTO may change these practices.

But a recent National Study revealed that SMEs in Vietnam, some of which have only limited capital resources are not yet convinced that they should expend limited capital in order to develop and protect IPR as an economic resource. The government is taking measures to change this. It also showed that SMEs in Vietnam regard branding, naming and trade marks as important to their business, but that there is little activity by way of R & D. Similarly there is no perceived value in the registration of patentable materials.

Patents

It is evident from the definition of a SME that they will generally lack the resources to invest in R & D which may in turn produce patentable resources. This is confirmed by the National Study, which states that relatively few applications are filed by SMEs in Vietnam. National filings average around 100 per year, but international applications under the Patent Cooperation Treaty numbered only 3 for 2005.

The National Study reports that most respondents do not invest in R & D. Consequently patent activity is relatively non-existent. Only three out of fifty two respondents mentioned that they had filed applications (6 designs and 4 utility

solutions) and obtained patents (2 utility solutions and 4 designs). They do state that it is difficult to obtain information on IP and BDS. Funding for patent drafting and prosecution is scarce, and the general perception is that patents are not perceived as valuable by small and medium sized enterprises.

Trade Marks

In contrast to the low level of activity relating to patent filing, the registration of Trade Marks and Industrial Designs has increased in Vietnam in recent years. It is also one area where the number of local applications has been more than double the number of foreign applications (2004 there were 10641 VN applications and 4275 foreign applications). Registration of a Trade Mark is perceived as a simple and cheap procedure with a quick result and immediate protection of a market and competition position. It is not exactly certain how effective that protection really is, but it does reserve the right to the IPR for the future.

Industrial Designs

Industrial design requirements in Vietnam are mostly concerned with packaging. It is one area where registration by Vietnamese SMEs greatly exceeds that of foreign companies. Registration will usually be in conjunction with registration of a Trade Mark. However the patent for a design is more difficult to enforce. The design concept is problematic due to the vagueness of the scope of protection. It cannot be determined on the same basis as a patent which is defined by the old (prior art) and new parts that go to make up the invention.

Copyright

Copyright is generally regarded as a more problematic area than Industrial Property, as it is usually less straightforward to establish a case for breach. It is often unclear how an infringement should be proved (direct proof), and there is often some difficulty in establishing actual damages. For example, our firm recently represented a client in a well publicized case of copyright infringement which remained in the court system for more than five years. A songwriter in Vietnam alleged breach of copyright by a recording company which had failed to infringe his moral rights by failing to fully acknowledge his authorship of a song. It recorded the song without his authorization and had offered a small payment in return for using his song. On the record label it was stated that he was the author of the music but that the lyrics belonged to a popular poet. Ultimately the recording company was prepared to correct their mistake by covering over that part of the label concerning the lyrics

with white pen. The attitude of the recording company was that the song had been published previously, so no authorization was required. The recording contained songs by a number of different authors, and the company maintained that our client had simply been paid on the same basis as the other authors featured on the recording. Finally a sum of US\$2000 was awarded, and the recording company ordered to make a public apology. The damages were finally paid one year later, after enforcement proceedings were instituted, but no apology was ever tendered. We believe that the impact of this case in Vietnam has been to discourage similar actions by copyright owners.

5. Obstacles perceived by SMEs

A *National University of HCMC Study (National Study)* listed a number of obstacles currently perceived by SMEs:

- No perceived value in filing of patents
- Lack of effective enforcement of IPR
- Unavailability of support services for patent preparation and filing and prosecution of registration
- Very long and complex procedures for examination of patent applications
- Lack of funding
- Lack of knowledge of the IPR system

Branding

- Branding (by contrast) was perceived as important for competitiveness, generation of revenue and protection in the market
- 19 out of 52 stated that they had made use of IP to generate revenue by developing their market and sales through use of trade marks
- Franchising and the success of well known franchises have heightened awareness of the importance of branding generally

Franchising

Recent successful franchises in Vietnam have included the Trung Nguyen cafes and the Pho 24 restaurants.

Trung Nguyen now has more than 1000 shops and outlets throughout all provinces and cities in Vietnam. The name means “Central Highlands”, which is an area reputed for its coffee production (Vietnam is currently the second largest coffee exporter). The cafes started in 1996 with a small café located in *Buon Me Thuat* (located in the central Highlands). Franchises have now been developed in Japan, Singapore, China, Thailand the US, Germany and Australia.

Pho 24 currently has 13 outlets in Vietnam and one in Indonesia.

The franchisee's investment totals USD 50,000, including royalty fees, the cost of equipment, facilities and construction, design and renovation works. The brand and copyright in respect of designs, trade dress and appearance, is already protected both in Vietnam and other countries

Services that were perceived as essential:

- Business plans and IP strategy
- Branding, naming and research
- IP audit and valuation for business negotiations and financing purposes

To a lesser extent:

- Competition intelligence
- Sectoral/cluster research specializations
- Patent mapping

The most important services in relation to the generating of revenue from IPR were perceived as:

- Business plans and IP strategy
- Market studies and technical feasibility studies
- Financial and other incentives for R & D commercialization
- Branding

19 out of 52 respondents to the National Survey have used IP rights to obtain funding or financing from a public (government) grant or private sources.

The most important services for raising capital and obtaining funding are perceived as:

- Financial and other incentives for R & D and commercialization
- Finding sources of financing
- IP valuation for business negotiations and financing purposes

10 out of 52 used IP for research collaborations with external parties and indicated that the most important services were:

- IP audit and IP valuation for business negotiations and financing purposes
- Legal and technical assistance for negotiating licensing, joint ventures and technology transfer agreements
- R & D agreements, contract research agreements.

It is perhaps of significance that none of the respondents reported involvement with litigation relating to IPR.

6. Implementing solutions

- The time factor has been considerably reduced under the new IP Code. In the case of Trade Marks the time for completion of the formal examination has been reduced from 3 months to one month and the substantial examination from 12 months to 6 months.
- The expense of filing and procedures for IPR protection has been a problem. A solution has been the provision of funding. Under a new one tier system for foreign and national applications, one set of fees applies to all. Important reductions have been made in fees, which are now all payable in VND.
- There has been a lack of expertise and awareness in most SMEs about the need to protect IPR assets. The National Study showed that IP is not a factor considered in a business plan if there is one – solution – support centers for the development and raising awareness of IPR among SMEs.
- Support centers already exist within NOIP and provide advice support and information. To a lesser extent local provincial governments are initiating similar programs (for example the “Program 1000 Trade Marks for SMEs in HCMC). Under this program advice is provided on Trade Mark acquisition and registration in Vietnam and abroad. Searches have been carried out in respect of 1071 Trade Marks to date. The services are conducted free of charge. Finance of up to VND 10 million is available for each business that qualifies in respect of 35 selected strategic products.
- The Ministry of Fisheries has also developed 14 brands for Vietnamese Seafood products. Support and advice is provided in relation to filing and registration.
- The HCMC program has involved 3 collective Trade Marks registrations for associations, in particular plastic, fruits and foodstuffs and the use of the “*Saigon*” and “*Ben Thanh Market Logo*” indications.
- IP development is not included in business plans
Studies on SMEs have revealed that there is no exiting overall strategy in most businesses where there is a relationship between a Business Plan whereby IP development is used as a tool for economic growth. Ideally this should see a plan where every year, money is spent on branding.
- There is a specific need for audit and evaluation services as part of a business strategy.

One of the services required in relation to IPR was IP audit and evaluation. These services are costly. They are primarily necessary for the purposes of

business which should include an IP strategy, and also for the purposes of negotiations and financing. They are also necessary for the purposes of market studies and technical feasibility.

But respondents to the National Survey reported audit for IPR as being as costly and unnecessary.

Evaluation can be useful particularly in the context of the equitization programs of SOEs. Mergers and acquisitions are part of the process of equitization of SOEs. But this is not so likely to involve SMEs and there are few people involved.

- Ineffective enforcement – solution – measures under the new IPR Code. The National Study identified ineffective enforcement procedures as one of the problems related to IPR in Vietnam. Enforcement of IPR has been at various levels and different authorities (with varying levels of resources) have been involved. These include border control by customs authorities, police and the courts, and authorities from the Ministry of Science and Technology. But there has not been a clear strategy on co-operation between these authorities. The new IP Code now includes further measures relating to enforcement.

As noted above, none of the (SME) respondents to the National Study reported involvement in litigation relating to enforcement of IPR. This in itself probably reinforces the perception of difficulty in enforcement and a consequent reluctance to expend resources in this area.

Arbitration may be a possible solution to dispute settlement, rather than litigation, but the main problem is that an infringer is not likely to have previously agreed to submit to an arbitration process. The International Arbitration Center of Vietnam and the WIPO Arbitration and Mediation Center are alternative arbitration venues for IPR disputes.

Enforcement procedures

The new IP Code has been responsive to a number of problems. Comprehensive procedures for enforcement include:

- Border control (customs) protection by means of seizure of infringing goods. The General Directorate of Customs (the Customs Authority) may suspend customs clearance on demand by the owner of a Trade mark or copyright. The IP owner may file a request with in respect of a specific shipment of goods, requesting that customs clearance be suspended at the owner's request. Similarly, an IP owner may also register a permanent record of their ownership with the Customs Authority

- Temporary (injunctive) court orders (urgent and temporary measures) are available to stop the importing, selling or producing of infringing goods. In order to obtain such a court order, it must be demonstrated that the breach is imminent and that if not damages will not be adequately remedied, or alternatively that the measure is necessary in order to protect evidence
- Under the new IP Code, the problem caused by the need to establish specific loss caused by an infringement is addressed. Remedies are provided in the first place by way of civil damages. These can be assessed on the basis of loss in profit caused by the infringement and may include the reasonable cost of any action the owner was forced to take in order to prevent the infringement. Alternatively damages may be assessed on the basis of the equivalence of lost royalty fees. But if it is not possible to ascertain damages on either of these bases because of insufficiency of evidence, a judge may still award damages by way of reward or compensation up to an amount of VND500 million (\$US 31,000). The purpose of this provision in the new IP Code is to remove the previous difficulties often associated with proof of loss. Lawyers' fees, which were not previously recoverable, may now be demanded and obtained in addition to the damages award.
- Administrative and Criminal sanctions and remedies are now available under the new IP Code. These relate to infringements of Trade Marks and Geographical Indications and to copyright piracy. Fines of up to five times the value of the goods that have been discovered and seized may be imposed
- In this context it is noted that none of the respondents in the National Study reported that they had ever been involved in IPR litigation or cases involving infringement. We believe that most cases are settled through informal negotiation involving administrative authorities rather than the court system.

7. Some Conclusions

Measures are being taken to encourage R & D and to enhance the perception of IPR as a tool for growth in the ASEAN region. Vietnam is still facing this challenging task at an early stage of its development. One of the main problems appears to be a lack of qualified service providers that can assist SMEs.

- Private providers of IP-BDS services are still limited in number and accessibility and are mainly located in Hanoi and HCMC. The quality of service is not consistent. They remain costly.


- Public institutions are still not sufficiently proactive or oriented to the needs of business
- IP services at provincial level are under the Ministry of Science and Technology. Some of these are active and have experience and capacity. They include the Department of Science and Technology (DOST) in HCMC, Haiphong and Danang and the Vietnam Trade Promotion Agency of the Ministry of Trade (the Vietnam Branding program). These are mainly administrative agencies but also provide public services, some of which are free. Services include, providing information about IP generally, such as online data bases, availability searches, validity expertise, opinions as to whether an infringement has occurred, opinion, advice and information on protection of IP generally, acquisition procedures, prosecution of registration, and the provision of training seminars.
- However, public service providers at provincial levels generally still lack sufficient financial resources and properly educated staff with a user friendly approach towards business. A notable exception was the HCMC Department of Science and Technology, which has a sector focused program which provides assistance for the designing and registration of trade marks and the registration of patents and also has the “*Neptech*” center for proto typing.
- Some associations and institutions are providing programs to benefit their members. These include branding of agricultural specialties, but these either exist mainly at a local level or are reserved for their association members.
- Providers of BDS services including IP law firms and IP agencies are very limited. There are only approximately 40 and most are located in the Hanoi, along with official IP offices and administrative offices. Some of these have either branches or liaison offices in HCMC. But not all of them possess a high degree of expertise in matters such as patent drafting and evaluation and the acquisition of IPR generally.
- There are currently approximately 3500 attorneys at law in Vietnam. These are the most commonly used BDS in relation to setting up companies, consulting and providing advice concerning business operations and litigation (mainly involving trade marks and unfair competition) and general advice concerning IPR and filing.
- IP audit, financial and other services for R & D and commercialization, market studies and technical feasibility studies, patent drafting and patent mapping, are not generally available. Other related services are either not well developed or are

lacking in expertise. These include IP valuation services for business planning, strategy, negotiating and obtaining finance.

- The National Survey indicated that IP development is not generally included in business plans. The study revealed that there is no existing overall strategy in most businesses whereby IP development is used as a tool for economic growth. Ideally a plan should be revised annually and money spent on branding related matters.
- There is a specific need for audit and evaluation services as part of such a business strategy and for the purposes of market studies and technical feasibility as well as negotiations and financing of the business, and loans for SMEs remain a problem in Vietnam.
- The time factor has been a problem in all areas relating to IP, and in particular that of Trade marks. There have been many complaints noted concerning long delays before the registration process is completed. As noted (above) the new IP Code now provides for significantly shorter processing time frames.
- The lack of professional expertise in legal as well as other areas has been identified in the National Survey as a reason for the neglect of IPR. For example, few IP agencies are currently equipped to assist inventors to identify and secure a patent for their invention.
- A solution has been to provide first hand advice and information to SMEs under local programs. There has been a significant increase in the number of Business Development Services (BDS) since the introduction of the 1999 Law on Enterprises. But many still lack the expertise to deal with complex issues such as the filing of patent applications. Currently, professional expertise and services are generally located in big cities like Hanoi and HCMC. This has meant that provincial centers remain isolated, adding to the cost of the necessary procedures. There is some support at local levels, but not so much. The main problem has been seen as a lack of educated support in these centers. National networking along the lines of establishing an ASEAN Hub for IP - BDS may be a solution. Although programs are being developed, many of the staff at the centers have not really been trained to be business minded. They tend to have previously worked in SOEs or Ministries and Administrative Agencies, where they have become accustomed to performing their duties according to strict command guidelines and lack flexibility.
- If selected under programs in HCMC and Da Nang, an SME may be given financial support for the assessment and development of IPR.

- The National Study indicates that most respondents are still only prepared to use services if they cannot solve their problem using their own staff or alternatively some personal connection.
- The National Office of Intellectual Property (NOIP) has been proposed as the central agency in Vietnam where the activities of local IP – BDS providers should be coordinated. NOIP will provide references for BDS providers, education and training materials, online searches for trade marks, patents and designs and other basic IP related services.

APEC WORKSHOP on IP for SMEs
organized by APEC and NOIP

**Promoting the use of IP instruments
by SMEs;** 
**Best Practices for raising awareness,
use and exploitation of IP assets**

February 24, 2006
Prof. Hiroshi KATO
National Graduate Institute for Policy Studies
Kato-hiroshi@grips.ac.jp

The Contents

1 . IP Strategy by SMEs (Principle)

2 . IP Policy for SMEs (Academia)

The Contents

1 . IP Strategy by SMEs

2 . IP Policy for SMEs

Rapid Progress in IP Strategy

2002 ————— 2003 ————— 2005

Policy Statement
by PM KOIZUMI
(Feb. 2002)



Basic Law on IP
(Nov. 2002)



IP Strategy Headquarters
(Mar. 2003)

IP Strategic Programs 2003, 2004, 2005

Major Achievements

- ① IP High Court
- ② University IP Headquarters
- ③ Measures against Counterfeits & Pirated Copies
- ④ Increase of Patent Examiners
- ⑤ Media Contents Business
- ⑥ 21 IP-related Laws enacted

Intellectual Property Strategic Program 2005

- 1 Strengthening of measures against counterfeits and pirated goods
- 2 Development of a world-leading IP system
- 3 Supporting SMEs and Ventures**
- 4 Strategic activities in global standardization
- 5 Becoming a nation with a creative culture
- 6 Promotion of human resources development
- 7 Acceleration of industry-academia-government collaboration

Case Study ①

NABEL INVENTION



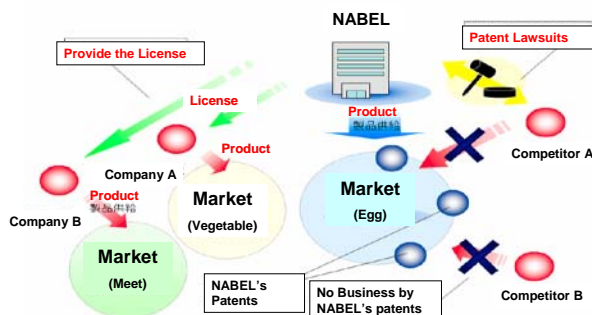
The Machine to check the cracked egg



The Machine to wrap the egg

Case Study ①

NABEL STRATEGY



4 Steps for IP Strategy

Plan of Manufacture based on the Needs

Development of the Product or Technology

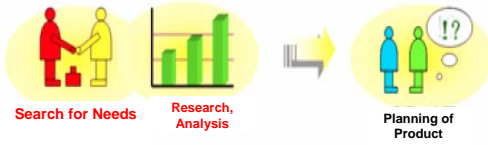
Patent Right of the Developed Result

Utilization of Patent Right in Business

The 1st Step

Plan of Manufacture based on the Needs

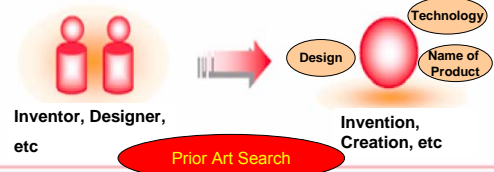
Plan of Manufacture based on the Needs



The 2nd Step

Development of the Product or Technology

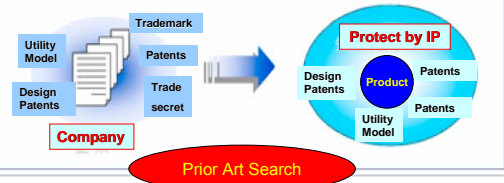
Development of the Product or Technology



The 3rd Step

Patent Right of the Developed Result

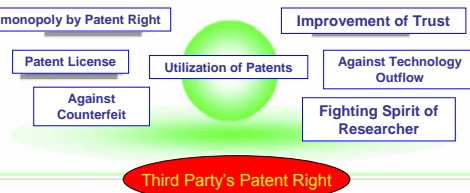
Patent Right of the Developed Result



The 4th Step

Utilization of Patent Right in Business

Utilization of Patent Right in Business



4 Steps for IP Strategy

Plan of Manufacture based on the Needs

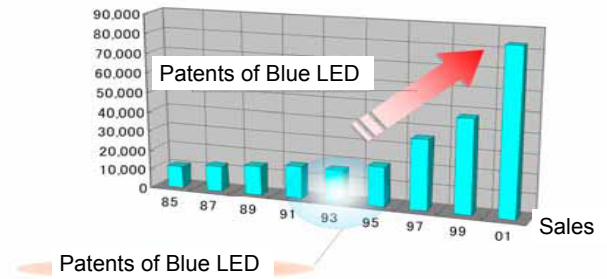
Development of the Product or Technology

Patent Right of the Developed Result

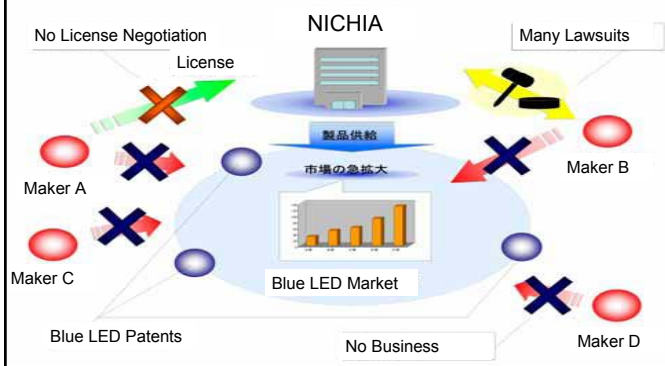
Utilization of Patent Right in Business

NICHIA IP Strategy

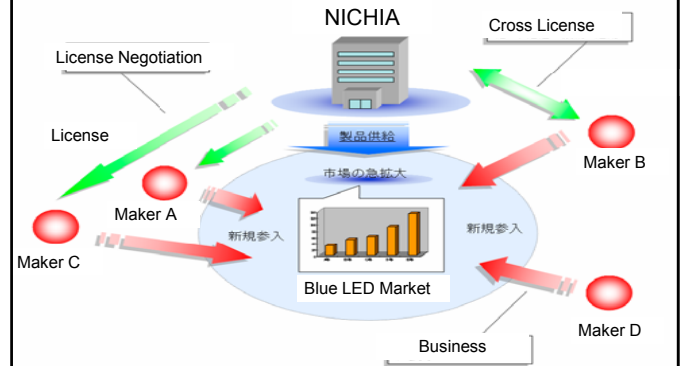
Sales by NiCHIA



NICHIA IP Strategy



NICHIA IP Strategy

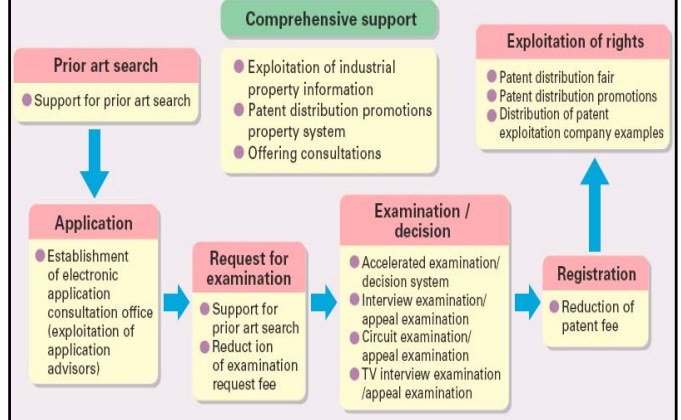


The Contents

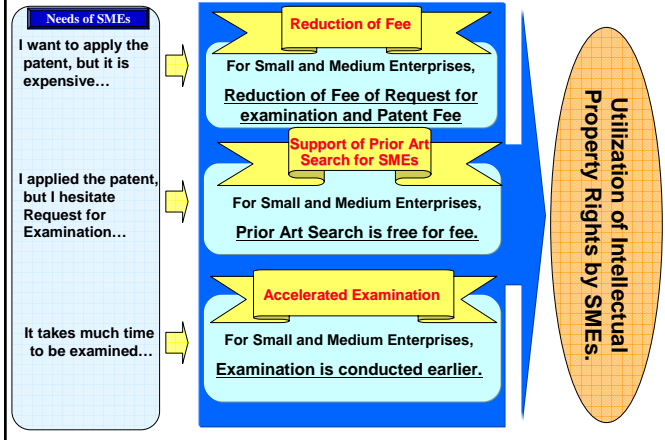
1 . IP Strategy by SMEs

2 . IP Policy for SMEs

Outline of Support to Small and Medium Enterprises



Three Important Policies for Supporting SMEs



Circuit Examinations

●Japan Patent Office started Circuit Examinations in 1996.



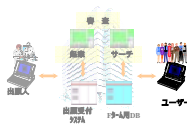
Examinations by TV Conference

●Japan Patent Office started Examinations by TV Conference in 1997.



Examinations by TV Conference

Search System for the Public Access



●Applicants can use the search system in the Japan Patent Office and in the branch office of Ministry of Economy, Trade and Industry (METI).

Access to the IPDL

NCIPI top-page
<http://www.ncipi.go.jp>

Click IPDL bar

IPDL top-page
<http://www.ipdl.ncipi.go.jp>

Patent Licensing Database

Wanting to disclose licensable patents

Looking for licensable patents

Companies, universities and research institutions offering patents

Companies using patents

Patent Licensing DB
- License information
- Needs information

Databases of licensable patents are created and available on the Internet.

Free registration and free search

- Provides a forum for advertising licensable patents
- Provides a forum for freely searching licensable patents
- About 59,000 patents are currently registered (as of May 2005)
<http://www.ryutu.ncipi.go.jp/db/index.html>

Patent Licensing Advisers

Companies, universities and research institutions providing patents

← Where is the necessary technology?
Which company can use technology? →
← How to do negotiations →

Companies using patents



Mediation Services by Patent Licensing Advisers

- A wide range of support from grasping licensable and demanded patents to license agreements.
- Free consultations and advise as the services are officially provided. Confidential information of the users is strictly held.
- Nation-wide network of Patent Licensing Advisers (115 advisers) Nation-wide matching results.

Patent Licensing Fair

1) Patent Licensing Fairs

The JPO organizes events where companies that wish to adopt patents, companies that wish to provide patents, universities, research institutes, agencies, technical consultants, etc. are offered the opportunity to meet, conduct presentations on licensable patents, and holds meetings.



International Patent Licensing Seminar

Key-note speech and joint discussion by foreign specialists in technology transfer and Japanese leaders in this field.

Form of acquiring knowledge on international technology transfer and of forming networks with Japanese and foreign technology transfer specialists and staff



Special Lecture by Chairpersons of AUTM and LESI

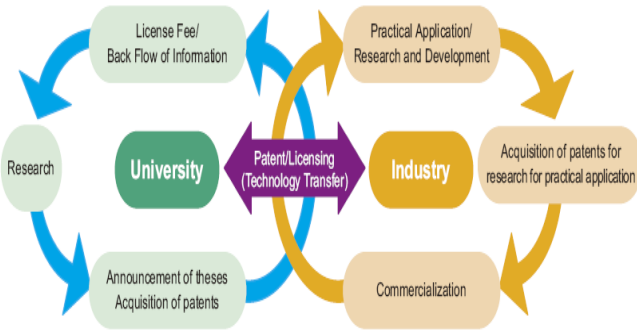
- Held on: January 23 -25, 2006
- At: Hotel Nikko Tokyo (Daiba, Minato-ku Tokyo)
- Participants: About 3,000 people

Effect of Patents Introduced to SMEs

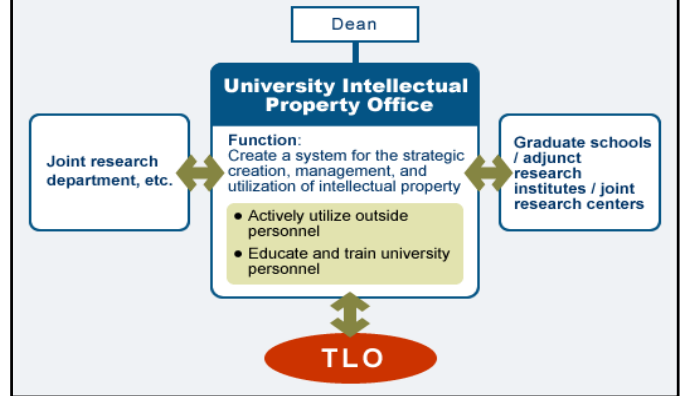
- New product was developed at a modest cost
→ Reduction of R&D cost
- Company indifferent to patents turned into a company filing patent applications
→ Improvement of technical level of the company
- It developed into joint research with universities and companies from other fields.
→ Formation of an alliance possibly allowing to enter a new market
- Employees became more aware of patents and more eager to develop new technologies.
→ Enhancement of motivations of employees

Management of IP by Universities

[Importance of Application for Patent for the Result of Research]

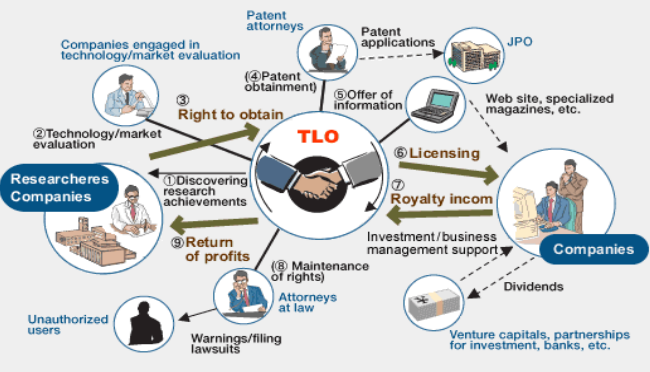


Management of IP by Universities ①



Management of IP by Universities ②

Outline of TLO Operations



Management of IP by Universities ①

University Intellectual Property Headquarters


43 organizations were established



Management of IP by Universities ②

Technology Licensing Organizations (TLOs)

38 organizations were established



Maturing University IP Activities

The 1st Stage

Intellectual Property Information/ Awareness Campaign

↓

Intellectual property information/ awareness campaign for the faculty & promotion of invention reports and patent applications (examined with focus on novelty)

The 2nd Stage

Sharing Research Results with the Society

↓

Patent applications for more useful inventions and more cited inventions (examined with focus on marketability)

The 3rd Stage




Activities Based on "Meanings of University IP Activities"

↓

Placement as a mission of the university based on the cost analysis (cost-benefit analysis covering financial and social value)

[cf.] Business of national university corporations = prevalence and utilization of research results
More than 70% have included IP matters and industry-academia collaboration in their mid-term plan

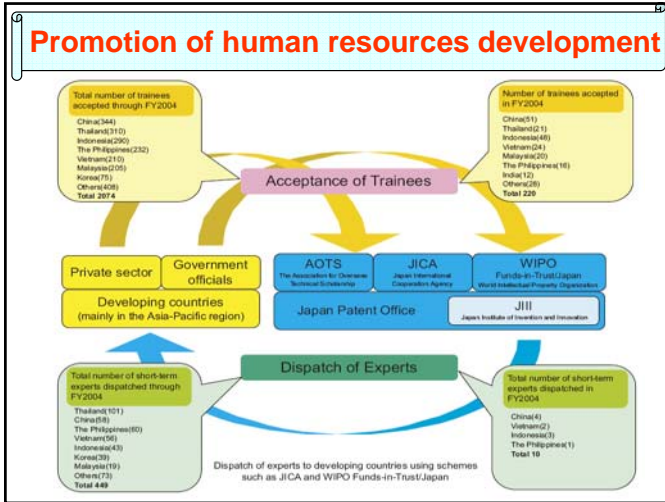
Japan Patent Office (JPO)

Paperless System project

1984	Start of the Paperless Project
1990	Electronic Filing (Patent and Utility Model)
1993	CD-ROM Official Gazette
1998	PC (Personal Computer) Electronic Filing
1999	IPDL Service
2000	Electronic Filing (Industrial Design, Trademark, PCT-DO and Appeal)
2004	Electronic Filing (PCT-RO and Inter-parts-trial) DVD-ROM Official Gazette
2005	Electronic Filing via the Internet

Promotion of human resources development



GRIPS (Graduate School)



- Traditional Knowledge
- IP and Development



Thank You

PROMOTING THE USE OF IP INSTRUMENTS BY SMEs; BEST PRACTICES FOR USE AND EXPLOITATION OF IP ASSETS

Hanoi, Vietnam - 24 February 2006

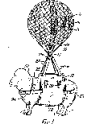


Presented by: **Paul Loeffler-White**
Manager
Queensland State Office
IP Australia

What is IP?

- *Intellectual property (IP) represents the product of your mind or intellect*
- *IP is an intangible asset and includes:*
 - Patents
 - Trademarks
 - Trade secrets
 - Copyright
- *Real property is a tangible asset for example:*
 - Land
 - Motor vehicle
 - Factory
 - Stock
- *IP may be bought, sold, traded, licensed, mortgaged, etc in the same way as real property*

CONFIDENTIAL



EAGLE BOYS
PIZZA



What can IP do for SMEs

- *IP rights can be a valuable business asset and may be exploited for financial reward*
- *IP laws give IP owners exclusive right to determine who can use the IP and how it is used*
- *IP rights provide the owner with options to bring the product to market eg: manufacture, licence, assignment*
- *IP laws reduce the chances of your products/services being copied and passed off as those of a rival trader*
- *IP rights are not physical rights therefore they can be used many times without being diminished, eg. the same IP can be licensed to different licensees in different geographical areas*

Where to Start?

- *Identify if you have any IP*
- *Keep ideas confidential until IP protection is in place*
- *Decide which IP type/s or strategies best protect the idea*
- *NOIP have information available in kits and on-line*
- *WIPO provide on-line information about all aspects of IP and have a specific section for SMEs*
- *Conduct basic research – infringement, novelty, markets, costs*
- *Get early professional advice – IP, legal, business, finance*

Searching

- Why do a search – avoid infringement, find gaps in the market, identify competitors, etc
- Searching may be difficult, eg 70,000 patentable areas of technology, many different databases, not all material available electronically, complex classification systems
- Professional help may be required
- Interpreting the results:
 - 260 patents for the dimple pattern on golf balls
 - 760 patents for golf tees
- Do not re-invent the wheel! (novelty)

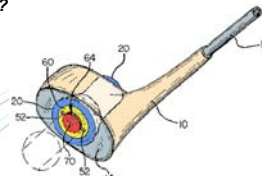


Search Facilities for IP

- National Office of Intellectual Property of Vietnam (local information)
 - www.noip.gov.vn
- European Patent Office (prior art searching)
 - <http://ep.espacenet.com>
- United States Patent, Trademark Office (prior art searching)
 - www.uspto.gov
- World Intellectual Property Office (WIPO) (global IP system)
 - www.wipo.org
- IP Australia (Australia specific information & links to other IP sites)
 - www.ipaustralia.gov.au

Markets

- The technology may be sound but:
 - Is there a demand?
 - Are there alternate or competing technologies?
 - Does it meet the "3 times" rule?
 - Are there alternate strategies for commercialisation?
 - Is it worth protecting?



1979 US Patent - 12 Gauge Golf Club

Costs

- Patent, Industrial Design and Trade Mark rights are country specific
- Establishing IP rights can be expensive, particularly patents
- Where will it be manufactured versus where will it be sold (markets)
- Does the market and potential product life span warrant the costs
- If the product life cycle is long IP becomes more important
- Enforcement costs
- Patent insurance & liability insurance

Commercialisation Options

- *Manufacture yourself*
- *License others to manufacture or distribute*
- *Franchise agreements*
- *Assignment*

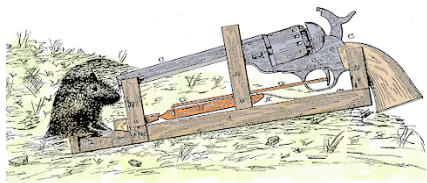
- *Problem: For many SMEs their IP is like their baby – they can not let go. This is not always the best option as a great inventor may not make a great marketer or business person*

Summary

- *Think globally when it comes to innovation*
- *Research the market before you put money into R&D*
- *Focus on getting your innovation process right*
- *Develop an IP strategy early*
- *Continuously monitor market developments and new patent activity*
- *Get professional advice about IP*
- *Get advice early – difficulties are usually easier to resolve before they become major problems*
- *Be careful about inadvertent disclosure of IP*

Some people never listen to good advice!!

- *Wild West Mouse Trap - 1882 US Patent*



Questions?

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APEC Workshop on IP for SMEs
Hanoi, Vietnam 23 and 24 February 2006

VALUATION OF IP ASSETS - Different Approaches -

Robert Wulff
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AGENDA

- Current Environment
- Different Models
- Other Factors
- Conclusions

CURRENT ENVIRONMENT

- IP's Increased Importance
- Legal & Governmental Changes
 - Eg. increased corporate compliance (Sarbanes-Oxley)
- New International Accounting Standards
 - Eg. from IASB and FASB
- Need for Better Asset Measures
- 12% only of EU Businesses have used 3rd Party Valuations (source DLA)

CURRENT METHODOLOGIES

- Cost-based Model
- Market-based Model
- Income-based Model
- Option-based Model
- Derived Models
 - Premium Profits Method
 - Premium Pricing Method
 - Cost Savings Method
 - Royalty Savings Method

COST-BASED MODEL

- Value estimated by cost to replace asset
- Costs include R&D and IP protection
- Costs adjusted to present value
- Not useful for income-generating assets
- One-dimensional (ie. cost = only factor)

MARKET-BASED MODEL

- Value estimated by comparing asset to sales of similar assets
- Model favoured by IASB and FASB
- Relies on availability of data
- If data available, gives “real” (market) value of asset

INCOME-BASED MODEL

- Value estimated by asset’s ability to produce income
- Income can include royalties or profit (eg. margin)
- Typically income is adjusted to present value using a DCF analysis
- Assumes that future incomes are predictable
- Risks need to be factored in

OPTION-BASED MODEL

- Builds on Income-based Model
- Uses Financial Market’s Options Analysis (ie. “put” and “call” options)
- Value of asset related to its investment opportunity in the future
- Asset treated as if it can be bought and sold at various (future) times
- Factors-in expected development costs and expected returns for each asset

DERIVED MODELS

- Premium Profits Method
- Premium Pricing Method
- Cost Savings Method
- Royalty Savings Method

Derived From Market-Based Model

- Premium Profits Method
 - Value derived by capitalising additional profits over those generated by a similar business
 - Profits calculated over asset's life and discounted to present day
- Premium Pricing Method
 - Used for valuing brands
 - Value of additional revenue generated by brand projected over its life, net of marketing and brand support costs, then discounted to the present day.

Derived From Income-Based Model

- Cost Savings Method
 - Values the asset by calculating the present value of cost savings the business can expect to make as a result of owning the intangible asset.
- Royalty Savings Method
 - Value of asset calculated based on royalty payment business saves by owning the asset, discounted to present value

FACTORS INFLUENCING VALUE

- Size of Business (large vs SME)
 - Capacity to defend/enforce asset
- Distribution & Marketing Networks
 - Market share of business
- Nature of Industry
 - Position of business in that industry
- Business' Access to Credit
- Asset Insurance

CONCLUSIONS

- **Need to Value IP Assets**
 - Governmental/legislative reasons
 - New International Accountancy Standards
 - Market Demand
- **Select the Right Model for the Asset**
- **IP Valuation provides better insight into True Business Value**
- **Can assist in Dealings and Fund-Raising**

IP Valuation

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THANKYOU

APEC Workshop on IP for SMEs

Hanoi, Vietnam 23 and 24 February 2006

Valuation of IP Assets – Different Approaches

**Robert Wulff , Partner, Griffith Hack Patent and Trademark
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Summary

This paper outlines the current approaches to valuing intellectual property (IP) assets and the reasons and benefits for so doing.

The recent push for companies both large and small to value their intangible assets (including IP) has come about for a number of reasons. These include:

- The increasing importance of intangible assets to the value of companies and to the market, especially high-tech companies;
- International legal developments such as the US Sarbanes-Oxley Act and the 2003 OECD European Intangibles Summit;
- New international accounting standards (eg. IFRS) from the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB);
- The need to disclose all asset values in business dealings such as during fund raising, securitization, mergers and acquisitions, financial reporting and taxation calculations, bank financing etc.

When an appropriate and rigorous methodology is applied to the valuation of intangible assets, especially IP, a business has both a better idea of its own worth, and a reportable and more transparent indication to the general market and government of its worth. This can make a business more attractive to investors and can more easily facilitate financing options for the business. It also helps with regulatory compliance.

The Current Valuation Environment

In a recent study conducted by the large European general practice firm DLA, it was discovered that only 12% of European businesses had ever commissioned a valuation of their IP assets by an independent third party. The general approach of business in the past has been to lump the valuation of intangible assets in with the business' goodwill. This has the effect of typically undervaluing or erroneously valuing the intangible assets of a business.

Going forward, global pressures will force businesses in advanced and emerging economies to adopt international standards and approaches to valuing IP assets. Poor or improper valuation methodologies will affect investment through impaired investor confidence and failed regulatory compliance. Hence there is a good reason for SMEs in emerging economies to now start adopting proper valuation methodologies, especially in relation to the intangible and IP assets of their business.

Current Methodologies

The literature is replete with models for valuing intangible assets, including IP. However, there are a number of common models which financial and accounting

professionals generally agree on. These can be summarised as the cost-based model, the market-based model and the income-based model. An additional recent model referred to by some expert commentators is the option-based model. Further, there are variations and derivations of the above models referred to in the literature including the premium profits model, the premium pricing model, the cost savings model and the royalties savings model. There are other factors which may influence IP valuation. These are now discussed.

Brief Summary of the Different Models

Cost-based Model

This model (or method) seeks to estimate value by estimating the costs of replacing the intangible (eg. IP) asset. Such costs typically include development costs eg. R&D costs and IP protection costs. Further, in the model past costs are adjusted to present value. However, the model is not very useful for income generating assets (eg. a patent, design, copyright or trade mark currently being exploited, or generating royalties). Further, the model only takes into account one factor, namely cost.

Market-based Model

This model attempts to value an intangible asset by comparing it with sales of similar assets (eg. patented technologies of a similar nature and function). This model is currently favoured by the international accounting standards boards and can be quite an effective model in that it represents the “real” market value of an asset. However, the model relies on accurate and complete (eg. inside) information concerning the details and nature of other similar transactions, and often this data is not available. Errors can arise when this data is estimated.

Income-based Model

In this model the ability of an intangible (eg. IP) asset to produce income is valued. For example, in the case of a patent, the ability to produce income can be by way of royalties (through licensing of the patent) or by way of profit (through selling of the patented article). Income-based methods may also use a discounted cash flow (DCF) analysis in order to arrive at a more reliable present value. In each case, the model is prospective (ie. it assumes that future royalties or future sales can in some way be predicted). However, calculating future returns from an IP asset has associated risks (including inflation, interest rates, market fluctuation factors, legislation factors etc.).

Option-based Model

Option-based models are a recent development and are built upon the income-based model, and then take into account an analysis based on financial options. In the option-based model the value of the intangible asset is related to its investment opportunity in the future, and this opportunity is then referred to as an “option”. The option-based model treats the R&D process, and the IP generated, as an option to be bought or sold at various stages of development of the “product” to which the IP asset relates. The option-based model allows for factoring in of the expected costs of developing technology and the expected returns from using it, and takes into account the level of risk associated with a project at various stages. The intricacies of the model are beyond the scope of this paper, but readers are referred to reference 3 listed at the end of this paper.

Derived Models

Premium Profits Method

This method/model (also known as the Excess Operating Profits Method) is a specific Market-based Model. In this method the value of intangible assets is determined by capitalising the additional profits generated by the business over and above those generated by similar businesses which do not have access to the IP asset. Excess profits can be calculated by reference to a margin differential, or by comparing the return on capital employed earned by the business owning the property with that earned by companies without such access to the IP asset. Calculated excess operating profits expected to be earned over the life of the intangible asset are then discounted to present day to arrive at the value. A problem with this model is that the comparative business will have margins and returns on assets attributable to some of its own intangible assets. Other factors that can affect the value derived include that the other business may have more efficient production, better marketing or distribution channels etc.

Premium Pricing Method

This model is a variation on the Premium Profits Method and is typically used to value brands (eg. for consumer products). The value of additional revenue generated by the brand is projected over its life, net of marketing and other brand support costs, and then discounted to the present day. However, it is unlikely that the competing products to which the brand is compared will be unbranded and hence the value derived may be erroneous.

Cost Savings Method

This method derives from the Income-Based Model and values the asset by calculating the present value of cost savings the business can expect to make as a result of owning the intangible asset. This method can apply to assets such as trade secrets (eg. a more efficient process). However, although a business can usually calculate the costs it has saved since introducing the new intangible asset, it may be problematic to derive a true value because a third party may not achieve the same cost savings.

Royalty Savings Method

This method is also derived from the Income-based Model. It is premised on the cost to a business should the business not own the relevant intangible asset. In other words, the business would have to license in that asset, and this would represent potentially an on-going (eg. annual) cost. The value of the intangible asset in question is calculated based on a discounted to present value of the royalty payment that the business saves by itself owning the asset. However, determining what royalty payment applies can in some cases be problematic (eg. where industry standards are not available).

Other Influencing Factors

There are other factors which may influence IP valuation. These can include the size of the business and its capacity to defend and enforce the IP asset in question, the

distribution and marketing networks that a business has, the competitive nature of the industry in which the business operates and the business' competitive ability in that industry, the market share of the business in question, the business' access to credit, insurance in place for the intangible asset etc. Again, as IP valuation models are further developed, they will start to (or will need to) take into account these factors. Having said this, it is much better to apply an appropriate model even if it does not take into account all such factors, than to have no valuation of the intangible asset at all.

Conclusion and recommendations

It is now important (if not necessary) for businesses (such as SMEs in both developed and emerging economies) to rigorously and appropriately value their intangible (including IP) assets. The right valuation methodology should be adopted for the IP asset in question and the business in question, and expert (third party professional) advice should be sought. Where an appropriate and rigorous valuation methodology is employed, there are many benefits to the business including internal awareness of a business' actual value, and an externally demonstrable valuation for investors, shareholders, market analysts, competitors and governmental authorities (including taxation bodies).

List of Various Papers Referred to:

1. The Valuation of Intellectual Property; Carolilne Woodward, European Business Forum (EBF): www.ebfonline.com
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4. 20 Steps for Pricing a Patent; Journal of Accounting; November 2004; Timothy Cromley; www.aicpa.org/pubs/jofa/nov2004/cromley.htm
5. Valuing Intangible Assets; The CPA Journal 2003; Benjamin P. Foster, Robin Fletcher and William D. Stout; www.nysstatecpa.org/cpajournal/2003/1003/features/f105003.htm
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8. Context is Critical; Daryl Martin; David C Drews; The Secured Lender; September/October 2005; 61, 5; ABI/INFORM Global pg. 22
9. IPR Helpdesk Bulletin No. 15 June-July 2004, pp.3-4; Intellectual Capital: do you want to improve the real value of your business?; Stefano Merico
10. Intellectual Property: Collateral for Securitization or Lending; Daryl Martin; David C Drews; The Secured Lender; July/August 2005; 61, 4; ABI/INFORM Global pg. 8
11. Intangible Assets: A New Source of Security and Securitization; Weston Anson; The Secured Lender; July/August 2005; 61, 4; ABI/INFORM Global, pg. 52.
12. The Intangible Asset Management Wave of Opportunity in Australia; Craig Lawn, Mike James and Ian Clark, Pricewaterhouse Coopers; www.internationaltaxreview.com

Integrating IP Into a Business Plan and Strategy: Identifying, Protecting, Developing and Managing IP Assets



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IP Is Everywhere

- All Businesses, Including SMEs, own IP
 - All businesses have names—trade names
 - Products and services normally have associated trademarks or service marks
 - Customer lists constitute trade secrets
 - Marketing material may be copyrighted
- The Challenge is to Recognize and Identify It, Value It and Manage It Effectively, and Leverage and Exploit the Rights
- Exercise—Create a Hypothetical Business and Identify Its IP

7/27/2009

2



Identifying IP—How Is It Done?

- First, Educate Company About IP and Evaluate What is Important
 - Ensure that necessary ownership/license mechanisms are in place
 - Adopt the necessary strategies/contracts for IP created by employees, independent contractors and owners
 - Adopt necessary strategies regarding disclosure of IP
- First: Educate Work Force About IP
 - Accounting—importance and impact of proper IP valuation
 - Legal—for proper evaluation and documentation of IP and to pursue steps necessary to protect and register it
 - Sales and marketing—to ensure proper branding, necessary knowledge of proprietary competitive advantages
 - Distributors—to ensure that they take necessary steps to safeguard IP rights and do not exceed bounds of license
 - R&D personnel—to ensure appropriate steps are taken upon invention to preserve all applicable rights
 - For all—consider usefulness of company-wide “IP Day” to impart company’s IP message and ensure company-wide knowledge

7/27/2009

3



Identifying IP—How Is It Done?

- Appoint “IP Officer” in Company?
 - To coordinate company-wide efforts with respect to IP
 - To develop company’s IP strategy
 - To ensure proper use of others’ IP and defend against potential claims of IP infringement
 - To manage IP Portfolio

7/27/2009

4



Identifying IP—How Is It Done?

- Conduct IP Audit
 - Inspect and conduct interviews regarding all
 - Inventions
 - Methods
 - Formula
 - Licenses in or out
 - Software
 - Marketing and training materials
 - Employment agreements
 - Nondisclosure agreements
 - Copying and reproduction policies
 - Trademarks, service marks, business names
 - Domain names
 - Video, music, and use thereof
 - Use of printed materials

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5



Identifying IP—How Is It Done?

- Conduct IP Audit
 - Assess status of all IP
 - Registered
 - By country
 - By dates—expiration, renewal, etc.
 - Unregistered
 - Common law trademarks and service marks
 - Trade secret material
 - Subject to actual or threatened litigation
 - Subject to any license in or out
 - Developed by company itself or as part of joint venture or collaborative project

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Identifying IP—How Is It Done?

- Conduct IP Audit
 - Identify ownership
 - In whose name
 - Inventor
 - Company
 - Company's subsidiary or partner
 - In what jurisdiction(s)
 - Assign value
 - For accounting purposes
 - In event of sale of assets or company

7/27/2009

7



Identifying IP—How Is It Done?

- Conduct IP Audit
 - Assess protection efforts
 - Registration status
 - By jurisdiction
 - By date
 - Identify gaps in protection
 - Assess status of any actual or threatened litigation or other enforcement efforts
 - Outline necessary steps to make protection adequate

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8



Identifying IP—How Is It Done?

- Conduct IP Audit
 - Ensure ownership/license for your IP
 - Ensure proper use of other's IP
 - Compliance with licenses and applicable laws
 - Software licenses (per user, per computer)
 - Photocopying of newsletters and the like
 - Use of Promotional materials created by advertising companies
 - Employee use of Internet (no unauthorized downloading, uploading or publication)
 - Copyrighted materials posted on your website
 - Inspect documentation of any necessary permissions



Protecting IP — Common Considerations

- Trademarks
 - Ensure consistent use across and outside company and affiliates
 - Use appropriate notice (“®” or “™”)
 - Assess costs/benefits of registration vs. common law use and protection
 - Investigate whether recordation is required to benefit from border enforcement
 - Determine whether license recordal is required to establish the validity and enforceability of the license and/or registration



Protecting IP — Common Considerations

- Patents
 - Ensure timely applications in all countries of interest
 - Establish policies on documentation, publication, consultation with legal counsel, etc.
 - Consider defensive publication to prevent others from patenting
- Trade Secrets
 - Ensure that secrecy is maintained
 - Locked rooms
 - Computer passwords
 - Nondisclosure agreements
 - Carefully weigh trade secret against patent protection (must choose one or the other)



Protecting IP — Common Considerations

- Copyrights
 - Consider registration advantages
 - Include copyright notice (“©”) and copyright holder name and year copyrighted
 - Where appropriate, use copy and access protection
 - Legal protections now widely available for technical protection measures
 - Include rights management information



Addressing Misappropriation of IPR—Enforcement Options

- Methods of discovering infringement
 - Orders and sales decrease for no apparent reason
- Non standard products appear
 - Missing components
 - Unauthorized packaging
 - Unauthorized distribution channels
 - Improper trademark use
 - Defective products

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Addressing Misappropriation of IPR—Enforcement Options

- Enforcement options
 - "Cease and desist" letter from company or its attorney
 - Inexpensive
 - Often effective
 - Less risky than court proceedings
 - Offer of settlement
 - Licensing arrangement
 - Infringer already has manufacturing ability and distribution channels
 - Entering into license with appropriate terms will generally prevent infringer from any future challenge to validity of IP (licensee estoppel)
 - Monetary payment

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Addressing Misappropriation of IPR—Enforcement Options

- Alternative dispute resolution
 - Mediation, arbitration, "mini-trial," etc.
- Advantages
 - Inexpensive
 - Fast
 - Flexible
- Disadvantages
 - No compulsory process or discovery
 - No injunctive relief
 - Limited appellate and cross-examination rights
 - No provisional relief

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Addressing Misappropriation of IPR—Enforcement Options

- Civil remedies
 - Advantages
 - Provisional relief available
 - Discovery, right of information
 - Injunctive relief with ability to pursue contempt of court orders
 - Court judgment for monetary damages and attorneys fees
 - Disadvantages
 - Expensive
 - Time consuming

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Addressing Misappropriation of IPR—Enforcement Options

- Border measures
 - Advantages
 - Relatively inexpensive for right holder
 - Allows for seizure of entire lot of infringing products, prior to lot being subdivided and distributed across the country after which effective enforcement can be difficult
 - Disadvantages
 - Training of and assistance to Customs officials often necessary for effective border enforcement
 - No monetary relief, court procedures still necessary to obtain damages and injunctive relief

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Addressing Misappropriation of IPR—Enforcement Options

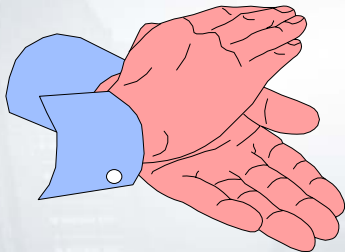
- Criminal measures
 - Advantages
 - Relatively inexpensive for right holder
 - Maximum deterrent
 - Disadvantages
 - IPR often not a high priority for criminal enforcement officials
 - Process can be slow
 - Standard of proof often higher than civil cases

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THANK YOU FOR YOUR PARTICIPATION
IN THIS PROGRAM!!!



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