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WORLD INTELLECTUAL  
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## **WIPO NATIONAL SEMINAR FOR SMALL AND MEDIUM ENTERPRISES ON INTELLECTUAL PROPERTY AND THE TRIPS AGREEMENT**

organized by  
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**THEME III: STRENGTHENING THE PROTECTION OF INTELLECTUAL PROPERTY  
RIGHTS (IPR) IN SMALL AND MEDIUM ENTERPRISES**

**TOPIC 6: ADMINISTRATION, PROTECTION AND ENFORCEMENT  
OF IPR IN ENTERPRISES**

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## ADMINISTRATION, PROTECTION AND ENFORCEMENT OF IPR IN ENTERPRISES

### INTRODUCTION

This seminar has already considered the basic notions of intellectual property and focused on the modernization of the intellectual property (IP) framework in Viet Nam, particularly in the context of the TRIPS Agreement, as these may impact the Small and Medium Enterprises in the country. In addition, speakers have discussed the importance and methods for promotion of inventive activities and the commercialization of inventions. The objective of this paper is to highlight some key aspects of strengthening the administration, protection and enforcement of intellectual property rights (IPRs) in enterprises, particularly small and medium enterprises (SMEs) and particularly in Viet Nam.

### NATURE OF THE ENTERPRISE

In Viet Nam, as in most countries, there are various kinds of enterprises, which need to be considered when discussing the administration of IPRs. There are both private and State-controlled industrial enterprises, cooperatives, public utilities, research organizations and commercial establishments. Depending on the organization's size, goals, etc., there may or may not be an immediate interest in IPRs and related activities. It is nonetheless important for employees and managers of all enterprises to have at least a basic knowledge of IPRs and some understanding of how the system of intellectual property works, both domestically and internationally. This is particularly important today, as Viet Nam continues to accelerate towards accession to the World Trade Organization (WTO) and compliance with the TRIPS Agreement that this calls for. Whereas my first<sup>1</sup> paper looked at intellectual property legislation and made some observations about bringing domestic laws into TRIPS compliance, this paper will consider some practical issues relating to the administration and exploitation of intellectual property. The paper should be considered in conjunction with the third<sup>2</sup> paper in this series, which addresses the formulation of IP development strategies for enterprises.

### AWARENESS

Innovative and successful enterprises around the world consider the acquisition and effective exploitation of intellectual property to be central to their business strategies. Small and large enterprises, be they in manufacturing or service sectors, attribute a great deal of importance to protecting their IPRs. A small manufacturer of woodworking tools acquires patent protection for novel and innovative products and for innovative processes for

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<sup>1</sup> Modernization of the Intellectual Property Legislative Framework in Viet Nam in View of the International Treaties including the TRIPS Agreement.

<sup>2</sup> Formulating an Intellectual Property Development Strategy for Enterprises

manufacturing these products. At the same time, it seeks, registers, uses and protects trademarks under which these products are sold.

Large manufacturers of aircraft, computers and pharmaceuticals, or huge multinational petroleum companies do the same, albeit probably on a much larger scale. Similarly, organizations as diverse as scientific research councils, financial institutions, universities, the Red Cross, the International Olympics Commission, etc., rely on exploitation of intellectual property as a matter of course. A common element among them is that they all attach great importance to ensuring that appropriate employees and managers at all levels understand the fundamental importance of intellectual property to the business success of the enterprise.

A critical initial requirement therefore is to create and maintain within an enterprise an awareness and understanding of intellectual property. The level of understanding should be such that appropriate or key employees throughout the enterprise understand what intellectual property is important to their organization, and why. It is particularly important that managers, at least, have a sufficient working knowledge of the intellectual property system to ensure that they can perform effectively in identifying, acquiring and protecting the IP interests of the enterprise. Depending on the nature of the enterprise, this would extend to monitoring the activities of competitors and others in the same business, the purpose being to avoid inadvertent infringement of their rights and also to gain technological and market intelligence.

#### Information and Sensitization of Employees

In order to ensure that employees and managers in an enterprise will accept that they should invest the time and effort to gain some knowledge and practical understanding of intellectual property, they must recognize and accept the value and importance of IP. They need to understand why and how IP is important to their enterprise and to themselves as individuals, personally and directly. The process for bringing about such sensitization is in some ways easier with small enterprises than it is with large ones. Thus, the enterprise, which manufactures and offers for sale a technologically innovative product generally loses the secrecy of that innovation as soon as the product appears on the market. Consequently, the enterprise risks losing an opportunity to generate revenues unless it has effective IPRs covering that product. The IPRs, in this case perhaps a patent and maybe a trademark, become the means to enable the enterprise to safeguard its investment and the potential for revenues. Every employee of the enterprise can understand the importance of revenue income to the viability of the enterprise and their jobs. By making employees aware of the important linkages between IP and business success, the enterprise will be achieving a number of positive objectives. Key among these is that employees will be encouraged to innovate. New and innovative products mean greater revenues (or other measures of success), which in turn, means enhanced job prospects and security.

In a small enterprise the link between an innovative product, successfully marketed is often shorter and more direct (and obvious) than in a large enterprise. This merely means that in a large enterprise the processes for bringing about and maintaining an appropriate level of employee sensitivity to IP needs to be more structured. Thus, the task is often assigned to a division or department, which generally also has responsibility for other IP matters. In a large organization such as, for example, the Xerox Corporation, it is a major task to ensure that not only the public, but also employees, do not jeopardize the all-important trademark by using it indiscriminately to describe the process of photocopying.

## IDENTIFYING INNOVATIONS

To compete successfully, enterprises must be able to identify their innovations. As obvious as this may seem, many enterprises, both large and small, have difficulty doing so. In this regard firms, both large and small, which are in the business of inventing and developing new or improved products and processes generally have an edge. They tend to be structured and equipped to identify innovations, which may have market potential, at the earliest possible moment. Thus, they train research and development (R&D) staff to document and report progress of their work to managers or specialists who have been assigned responsibility for identifying inventions and innovations. Small enterprises, on the other hand, must rely on employees and managers who have been sensitized to the IP aspects of innovation to perform the identification function. The small enterprise may, therefore, chose to establish an ongoing relationship with a private sector firm of patent attorneys or other IP specialist (trademark agents, lawyers specializing in copyright, computer software protection, industrial designs, etc.), to supplement in-house expertise.

## ACQUIRING IPRS

Once an enterprise has identified an innovation, and I shall focus on inventions for the moment, it needs to decide what to do with it. At its earliest stages of development this may be a difficult task. It may be that the invention is still merely an idea and has not been reduced to a tangible embodiment, or "reduced to practice" in the jargon of the patent world. Patents are granted for physical embodiments of invention, not ideas. A series of questions then need to be answered before the next step becomes clear. How much more development needs to be carried out and how long to wait before applying for a patent? Is the invention capable of being better protected as a trade secret rather than by patent? Is the invention in a field which is viable (in the core business) for the enterprise, or should the IP rights be sold or licensed to others? Where, besides in the home country, should IPRs be sought? Can the enterprise afford adequate international protection and, importantly, can the enterprise afford to protect its IPRs where and when necessary? These issues will be addressed further in the next paper on IP strategy for enterprises. Suffice to say here that an enterprise needs to view the acquisition of IPRs as a significant business issue and should accord it the same care and attention as it does to all other aspects of business. In Viet Nam, the existence of private sector IP professionals and lawyers who are familiar with IP can provide valuable assistance to enterprises. In addition, it would be very useful to have government authorities establish and promote points of access in various parts of the country to enable enterprises to obtain

general information and advice about the acquisition (and protection) of IPRs, both domestic and foreign.

## PROTECTING/ENFORCING IPRS

Where the example used above was a patent, it is useful to remember that the intellectual property system provides for rights (or soon will, under the provisions of TRIPS) in the areas of industrial designs, trademarks (including Geographical Indication), copyright and related rights, layout-designs (topographies) of integrated circuits, plant varieties, and the protection of undisclosed information. In this regard, it is worth highlighting several aspects of the TRIPS Agreement.

Firstly, the TRIPS Agreement recognizes that intellectual property rights are private rights<sup>3</sup>. As such, it is incumbent on the owner of those rights to “police” the marketplace and to take action to protect those rights. The Agreement requires Members to ensure that enforcement procedures are available under their national laws to permit effective action against infringement of intellectual property rights. Such procedures must provide expeditious remedies to prevent infringements and remedies which will deter further infringements<sup>4</sup>.

At the same time, the Agreement requires that such procedures must be applied in a manner to avoid the creation of barriers to legitimate trade and also to provide for safeguards against their abuse<sup>5</sup>.

The procedures must be fair and equitable, not unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays<sup>6</sup>. Decisions on the merits of a case must be based on evidence in respect of which the parties were offered the opportunity to be heard, should preferably be in writing, reasoned, made available without undue delay<sup>7</sup> and subject to judicial review (except in respect of acquittal in criminal cases)<sup>8</sup>.

Secondly, the TRIPS Agreement sets out civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures.

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<sup>3</sup> The TRIPS Agreement, Preamble

<sup>4</sup> Article 41.1

<sup>5</sup> *ibid.*

<sup>6</sup> Article 41.2

<sup>7</sup> Article 41.3

<sup>8</sup> Article 41.4

The provisions regarding border measures relate particularly to cases of actual or potential importation of counterfeit trademark or pirated copyright goods. Members may implement corresponding procedures in respect of goods which involve other infringements of intellectual property rights, and infringing goods destined for exportation.

The Agreement also requires that Members provide for criminal procedures and penalties to be applied at least in the case of “wilful trademark counterfeiting or copyright piracy on a commercial scale”.

Thus, the tools which will be available to IPR owners to enforce their rights in Viet Nam as well as in other WTO Member countries are in the process of evolving. It is vitally important that, as the Vietnamese laws are promulgated in this regard, the views of owners and enforcement agencies be taken into account. The consequences of neglecting dialogue between IPR owners, enforcement agencies, private sector lawyers (who will be the legal advisors to enterprises) and the drafters of the legislation and implementing procedures could well be unenforceable and therefore ineffective protection of IPRs.

#### MONITORING OWN AND COMPETITORS IPRS

A critical function of administering IPRs in an enterprise is the monitoring aspect. It is important to monitor one's own IPRs to ensure that infringement does not occur. Infringement, or the unauthorized making, using or selling of a protected IPR, could be inadvertent or intentional. In the former case, the IPR owner must take action to stop such infringement or risk losing his rights by default. If the infringement is unintentional, then drawing it to the attention of the infringer will generally lead to some compromise solution. Either the infringement ceases or some licensing arrangement may be negotiated. On the other hand, if a satisfactory solution is not found, or if the infringement is wilful, then the enforcement of IPRs can become complex, drawn out and costly. Under these circumstances, the existence of effective enforcement measures and competent legal counsel are critical to ensuring a successful outcome.

A second monitoring function is one which is usually carried out by regular scanning of IP journals and other publications. In this instance the purpose is to monitor patent applications or trademark applications which have been published for the purpose of giving public notice of pending registrations. It is much simpler at this point for an enterprise to object to the registration of a trademark or the grant of a patent which may infringe already existing rights. This publication period is built into statutes to assist government intellectual property administrations to grant IPRs with a high presumption of validity by allowing “third party” intervention in the registration proceedings. This kind of monitoring of IP journals is often contracted out by smaller enterprises to private sector patent and trademark agents.

Once again, the importance of knowledgeable IPR owners and well-trained lawyers and enforcement authorities, is key to an effective and workable system of IPRs.

## DEALING WITH THE “LEGAL” ASPECTS OF INTELLECTUAL PROPERTY

Finally, let me share a few general thoughts about how enterprises can deal with the rather unique and specialized legal dimensions of IPRs.

Large enterprises, particularly large multinationals, often have intellectual property experts on staff. Some of the largest firms may have hundreds of lawyers, engineers and scientists with specialized IP training and qualifications on hand to manage all aspects of the enterprise's IP interests. These would range from training of employees in IP matters, reviewing research and development results for protectable subject matter on an on-going basis, acquisition of rights and their enforcement, including litigation, both domestic and foreign.

Small and medium enterprises, and a growing number of large enterprises rely on the contracting of outside IP counsel on an as and when-required basis. This gives the some very important flexibilities and options. The scope and complexity of IPRs, particularly patents, is becoming such that it is unlikely that any single enterprise or law firm could afford to keep on staff the full range of technical and legal experts and litigators to correspond with the wide potential scope of protectable subject matter. One needs only to consider that patents can be granted for everything from clothespins to computer circuitry, and, in some countries, from computer software to higher life forms. Trademark applications which include sounds and odours as the key distinguishing features are being filed. Copyright protection and enforcement in the borderless state of the Internet is a recent and particularly unique challenge. An obvious practical response by any enterprise in the face of such circumstances would be to develop an inventory of technical and legal IP advisors who could be called upon to provide specialized services when needed.

## CONCLUSION

The degree of effort and expense to be incurred by an enterprises for the protection, enforcement and administration of its IP is dependent on a variety of factors, as discussed. As is the case with other aspects of business, the adoption of appropriate procedures for the administration, protection and enforcement of intellectual property, carefully implemented, within an appropriate strategic framework, will stand any enterprise in good stead. I will set out some thoughts on elements of such an intellectual property development strategy in my third paper, later in this seminar.

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